Budgetary Review and Recommendation Report (BRRR) of the Portfolio Committee on Transport, Dated 16 November 2023

The Portfolio Committee on Transport ("the Committee"), having considered the performance and submission to National Treasury (NT) for the medium-term period of the Department of Transport ("the Department") and its entities, reports as follows:

1. INTRODUCTION

The period under review took place against the backdrop of the second phase of the implementation of the National Development Plan (NDP) (2019-2024). As part of its contribution to the NDP, the transport sector had to identify interventions aimed at accelerating service delivery, increasing sector job opportunities, rural development and skills development. Key priorities in this regard included investments in public transport, maintenance of roads and rail investments. These had a direct bearing on the Government's drive to respond to the challenges of poverty, unemployment and inequality.

This report will be based on those Annual Reports that were tabled before 16 November 2023. There were early indications from the Auditor-General of South Africa (AGSA) that there are delays in finalising the audits of the Department, the Passenger Rail Agency of South Africa (PRASA), the Railway Safety Regulator (RSR), the South African Maritime Safety Authority (SAMSA), the Road Accident Fund (RAF) and the Road Traffic Infringement Agency (RTIA), however, at the time of the drafting of this report the only outstanding Annual Reports were those of the PRASA, RSR, SAMSA and RTIA. On 2 October 2023, the Minister submitted a letter requesting the extension for the late tabling of the annual reports of the Department, PRASA, RSR, SAMSA, RTIA by the end of October and the RAF Annual Report until the finalisation of the dispute with the AGSA. On 6 November 2023 the Minister of Transport (the Minister) tabled the Annual Reports of the Department and the RAF (although the Committee noted with concern that the Annual Report for the 2021/22 financial year of RAF has still not been tabled due to the dispute with the AGSA).

The Annual Reports of PRASA, RSR, SAMSA and RTIA were still not tabled at the time of finalising this report. Should they submit their Annual Reports following this report, the Committee will consider a supplementary report.

As is evident in the financial statements of the entities, the sector is slowly recovering from the residual impact of the 2020 COVID-19 lockdown measures on the transport portfolio, especially on revenue collection and debt recovery. Despite this recovery, the portfolio was also impacted at various levels by the July 2021 Civil Unrests, the flood damage in various provinces in the course of 2022 and the first quarter of 2023 resulting in massive infrastructure damage, as well as the ongoing conflict since February 2022 between Russia and Ukraine which impacts various aspects such as jet fuel, stock and parts availability.

1.1 Mandate of the Committee

The prime mandate of the Committee is governed by the Constitution of the Republic of South Africa, 1996 ("the Constitution"), in respect of its legislative and oversight responsibilities as public representatives. It is required to consider legislation referred to it and consider all matters referred to it in terms of the Constitution, the Rules of the National Assembly (NA) or resolutions of the House. It is also required to respond to matters referred to it by Government within its mandate. In addition, the Committee is entrusted with considering the budgets, Strategic Plans, Annual Performance Plans (APPs) and the Annual Reports of the Department and entities that fall within the transport portfolio.

1.2 Purpose of the Budgetary Review and Recommendation Report

Section 77(3) of the Constitution stipulates that an Act of Parliament must provide for a procedure to amend Money Bills before Parliament. This constitutional provision gave effect to the Money Bills Amendment Procedure and Related Matters Act (No. 9 of 2009). The Act gives Parliament powers to amend Money Bills and other legislative proposals submitted by the Executive whenever the Executive deems it necessary to do so. The Act therefore makes it obligatory for Parliament to assess the Department's budgetary needs and shortfalls against the Department's operational efficiency and performance.

This review seeks to establish whether the Department and its entities have achieved their aims and objectives, as set out in their Strategic Plans, as well as whether they continue to fulfil their constitutional mandates during the year under review. As this is the last BRRR to be done by the 6th Parliament Committee, reference will be made to the key achievements made, as well as challenges encountered during the 2018/19, 2019/20, 2020/21, 2021/22 and 2022/23 financial years, as reported in the Department's and entities' 2018/19, 2019/20, 2020/21, 2021/22 and 2022/23 Annual Reports and APPs.

1.3 Methodology

The Committee engaged with the AGSA on its audit findings of the Department and its entities, as well as engaged with the Department and, due to time constraints, selected entities on 10 and 11 October 2023 and 7 November 2023 on their performance and audit outcomes for the period under review.

The Committee selected to meet with the Air Traffic and Navigation Services (ATNS), Airports Company of South Africa (ACSA), South African Civil Aviation Authority (SACAA), South African National Roads Agency Limited (SANRAL), Road Traffic Management Agency (RTMC), Cross-Border Road Transport Agency (C-BRTA), Ports Regulator of South Africa (PRSA) and the Road Accident Fund (RAF) due to time constraints and since these entities tabled their reports in time for consideration during the BRRR process. The presentation on the Annual Report of Driving Licence Card Account (DLCA) was done by the Head of the DLCA along with the Department's briefing on their Annual Report. Although tabled on time (despite it not being the complete report), there was no briefing on the South African Search and Rescue Organisation (SASAR/NRSI).

At the time of considering this report, the entities PRASA, RSR, RTIA and SAMSA had not tabled their Annual Reports. The Committee voiced its dissatisfaction with the reasons provided for the failure to table these outstanding Annual Reports, especially since the indications were that these would be finalised by the end of October 2023 – it was the fourth consecutive year that RTIA did not table their report in time for the BRRR process.

The South African Search and Rescue Organisation (SASAR), including the National Sea Rescue Institute (NSRI) (unfortunately the tabled copy of the Annual Report of the entity was only every second page and not the full report) was not programmed or called to meet with the Committee specifically, however, its Annual Report and/or financial statements were tabled on time and their audit was part of the Department's audit.

The BRRR details the analysis of the 2018/19, 2019/20, 2020/21, 2021/22 and 2022/23 Annual Reports and financial statements, strategic objectives, budget allocation and financial performance and the recommendations made by the Committee.

The BRRR is based on information accessed through:
- The 2022 State of the Nation Address (SONA);
- The Department's Strategic Plan and APPs for 2022/23;
- The Department's Annual Report and Financial Statements for 2018/19, 2019/20, 2020/21, 2021/22 and 2022/23;
- The Strategic Plans and the APPs/Corporate Plans of the entities that fall under the Department, as well as their Annual Reports and financial statements for 2018/19, 2019/20, 2020/21, 2021/22 and 2022/23;
- Quarterly reports of the Department;
- The report of the AGSA on the audit outcomes of the Department and its entities;
- National Treasury Section 32 Reports;
- The NDP; and
- Oversight visits by the Committee during the period under review.

2. MANDATE OF THE DEPARTMENT OF TRANSPORT

The Department is mandated with maximising the contribution of transport to the economic and social development goals of society providing safe, reliable, effective and efficient fully integrated transport systems that best meet the needs of passenger and freight users. To attain this objective, the Department is entrusted with the provision of transport infrastructure and services in a manner that is efficient and affordable to consumers and the economy, while ensuring safety and security in all transport modes.

The Department strives to be "the heartbeat of South Africa's economic growth and social development".[1] Its core values are:[2]

- Maintaining fairness and equity in all its operations;
- Striving for quality and affordable transport for all;
- Stimulating innovation in the transport sector;
- Ensuring transparency, accountability and monitoring of all operations; and
- Ensuring sustainability, financial affordability, accessibility, as well as the upholding of the *Batho Pele* principles.

In an endeavour to discharge its mandate effectively and efficiently, the Department is structured as follows:[3]

- Programme 1: Administration;
- Programme 2: Integrated Transport Planning;
- Programme 3: Rail Transport;
- Programme 4: Road Transport;
- Programme 5: Civil Aviation Transport;
- Programme 6: Maritime Transport; and
- Programme 7: Public Transport.

The Department's organisational structure was approved in September 2011, and it was implemented from November 2011.[4] The structure comprises four transport modes (rail, road, civil aviation and maritime transport), as well as integrated transport planning and public transport. Support functions, particularly in the Office of the Director-General (DG), Office of the Chief Operations Officer (COO) and the Office of the Chief Financial Officer (CFO) fall under the Administration programme.

2.1 Strategic overview 2022/23

2.1.1 Strategic priorities of Government

To execute its mandate, the Department is guided by Government's commitments as set out in, inter alia, the NDP 2030, the Medium-Term Strategic Framework (MTSF) 2019-2024, as well as the SONA policy directives.

The Department contributes to the realisation of the vision of improved social and economic development articulated in the NDP. Transport infrastructure and services support economic growth and development by connecting people and goods to markets. The development and maintenance of an efficient and competitive transport system is a key objective of the NDP. To this effect, the Department, in partnership with the sector public entities, provincial and local government, focuses on improving mobility and access to social and economic activities.[5]

In addition, the Department gives impetus to priority 1 (economic transformation and job creation) and priority 4 (spatial integration, human settlements and local government) of Government's 2019-2024 MTSF. The table below shows a schematic illustration of the alignment between MTSF pillars, apex priorities of the 6th Administration and the strategic focus areas of the Department.

Table 1: Alignment between MTSF Pillars, Apex Priorities and Strategic Focus of the Department

MTSF Pillars	Apex Priorities	Department's Strategic Focus Areas

[1] Department of Transport (2022a), p. 29.

[2] Ibid.

[3] Department of Transport (2022a), p. 66.

[4] Department of Transport (2022a), p. 67.

[5] Department of Transport (2022a), p. 29.

MTSF Pillars	Apex Priorities	Department's Strategic Focus Areas
1. Achieving a more capable State	• Priority 1: A capable, ethical and developmental State	• Improved efficiency and effectiveness of support services
	• Priority 6: Social cohesion and community safety	• Safety (and security) as an enabler of service delivery
	• Priority 7: A better Africa and world	• Building a maritime nation, elevating the oceans economy • Environmental protection – Recovering and maintaining healthy natural environment
2. Driving a strong and inclusive economy	• Priority 2: Economic transformation and job creation	• Infrastructure build that stimulates economic growth and job creation
		• Building a maritime nation, elevating the oceans economy
		• Accelerating transformation towards greater economic participation
	• Priority 5: Spatial integration, human settlements and local government	• Public transport that enables social emancipation and an economy that works
3. Building and strengthening capabilities of South Africans	• Priority 1: A capable, ethical and developmental state	• Governance – Greater efficiency, effectiveness and accountability
	• Priority 3: Education, skills and health	• Improved efficiency and effectiveness of support services

(Source: Department of Transport (2022a))

As far as the 2022 SONA is concerned, it accentuated the following strategic objectives that had a bearing on the transport sector:[6]

- Rehabilitating the passenger rail network in ten (10) priority corridors;
- Using the Infrastructure Fund to invest in transport;
- Implementing the rural roads programme through using labour intensive methods to construct or upgrade 685 kilometres of rural roads over three years; and
- Introducing measures to curb the theft of scrap metal or cable on the country's infrastructure, including trains.

Over the medium-term, the Department plans to give effect to these guiding policies by focusing on:[7]

- Cultivating an enabling environment for maintaining road networks;
- Facilitating integrated road-based public transport services; and
- Revitalising passenger rail services.

[6] Ramaphosa (2022).

[7] National Treasury (2023), pp. 880-881.

2.1.2 Strategic Outcomes and Oriented Goals of the Department

During the period under review, the Department discharged its responsibilities with a view to attaining the following strategic objectives:[8]

- Safety (and security) as an enabler of service delivery;
- Public transport that enables social emancipation and an economy that works;
- Infrastructure build that stimulates economic growth and job creation;
- Building a maritime nation, elevating the oceans economy;
- Accelerating transformation towards greater economic participation;
- Innovation that advances efficiencies and supports a continuous improvement model;
- Environmental Protection – Recovering and maintaining a healthy natural environment;
- Governance – Greater efficiency, effectiveness and accountability.

In the 2022/23 financial year, the Department aimed to perform its work in line with the following Priority Focus Areas and Performance Outcomes:

- Department Priority Focus Area 1: SAFETY as an Enabler of Service Delivery
    - Sub-Programme: Safer Transport Systems
        - Road Transport Safety
            - Improved transport safety and security
        - Rail Transport Safety
            - Improved transport safety and security
        - Civil Aviation Safety
            - Improved transport safety and security
        - Maritime Transport Safety
            - Improved transport safety and security
        - Public Transport Safety
            - Improved transport safety and security
            - Improved public transport safety

- Department Priority Focus Area 2: PUBLIC TRANSPORT that Enables Social Emancipation and an Economy that Works
    - Sub-Programme: Public Transport
        - National Taxi Lekgotla Resolutions Implementation
            - Improved accessibility, quality and reliability of public transport
        - Integrated Public Transport Networks (IPTNs)
            - Improved accessibility, quality and reliability of public transport
        - Rural and Scholar Transport
            - Improved accessibility, quality and reliability of public transport
        - Rail Transport
            - Improved accessibility, quality and reliability of public transport

- Department Priority Focus Area 3: INFRASTRUCTURE Build that Stimulates Economic Growth and Job Creation
    - Sub-Programme: Competitive and Accessible Markets
        - Road Transport
            - Increased access to affordable and reliable transport systems
            - Decent Jobs sustained and created
        - Rail Transport
            - Increased access to affordable and reliable transport systems
            - Decent Jobs sustained and created
        - Civil Aviation
            - Decent jobs sustained and created

- Department Priority Focus Area 4: Building a MARITIME Nation, Elevating the Oceans Economy

[8] Department of Transport (2022a), pp. 34-65.

    - Sub-Programme: Competitive and Accessible Markets
        - Increased access to affordable and reliable transport systems

- Department Priority Focus Area 5: Accelerating TRANSFORMATION towards Greater Economic Participation
    - Sub-Programme: Competitive and Accessible Markets
        - Increased access to affordable and reliable transport systems

- Department Priority Focus Area 6: INNOVATION that Advances Efficiencies and Supports a Continuous Improvement Model
    - Sub-Programme: Innovation
        - Improved competitiveness through adoption of new technology

- Department Priority Focus Area 7: ENVIRONMENTAL PROTECTION – Recovering and Maintaining a Healthy Natural Environment
    - Sub-Programme: Reduction in Greenhouse Gas Emission and Pollution
        - Emission of Greenhouse Gases reduced
        - Pollution incidents reduced

- Department Priority Focus Area 8: Governance – Greater Efficiency, Effectiveness and Accountability
    - Sub-Programme: Skills Development
        - Improved sector skills and capacity
    - Sub-Programme: Functional, efficient and integrated government
        - Improved governance and strengthened control environment

2.1.3 Overview of results and challenges experienced in 2022/23 as reported by the Department

Some challenges encountered during the period under review that were highlighted by the Committee were:

- The vacancy rate in the Department remained a challenge. During the period under review, a total of eight-four (84) vacant positions were filled, against a target of fifty (50). The vacancy rate for funded positions amounted to 18.4%. The vacancy rate as at March 2023 was sitting at 23.6%. It decreased by 0.7 % as compared to the same period in the previous financial year, when it had stood at 24.3%.[9]
- The Draft Road Infrastructure Funding Policy was not approved for submission to Cabinet as targeted. This was due to directives issued by the Minister of Finance as part of the Gauteng Freeway Improvement Project (GFIP).[10]
- In the 2022/23 financial year, the ACSA reported actual performance of 17 045 job opportunities supported. Opportunities supported were 19% lower than the target of 17 064, indicating a variance of 0.1%.[11]

The following were reported in the Annual Report as an overview of the results and challenges experienced by the Department during the year under review, per the Report of the Accounting Officer:[12]

2.1.3.1 Programme 1: Administration

Internal controls were monitored in financial and supply chain management (SCM), and in stakeholder coordination and compliance. Irregular and unauthorised expenditure had been put in check with the Department not incurring any for the financial year. However, there were a few cases of potential irregular expenditure that were being assessed for verity. For the period under review, only one (1)

[9] Department of Transport (2023), p. 99.

[10] Department of Transport (2023), p. 159.

[11] Department of Transport (2023), p. 167.

[12] Department of Transport (2023), pp. 20-25.

case of irregular expenditure was recorded. Four (4) cases of fruitless and wasteful expenditure amounting to R6 899.30 were recorded. Two (2) cases amounting to R3,785.80 will be transferred to debt and the other two (2) cases amounting to R3,113.50 will be written off. No unauthorised expenditure has been incurred by the Department since the 2019/20 financial year to date.

The vacancy rate in the Department remains a challenge. A total of eighty-four (84) vacant positions were filled, against a target of fifty (50) positions for the financial year. However, the anticipated decline in the vacancy rate did not materialise due to a high turnover rate and unfunded positions. As at the end of March 2023, the vacancy rate was 23.62%, and the turnover rate was 6.96% (51/733). The turnover rate was impacted by, amongst others, the number of deaths of employees, resignations, external transfers and retirements. The Department will continue prioritising the filling of vacant positions to ensure attainment of a 10% or lower rate, as prescribed by the State.

2.1.3.2 Programme 2: Integrated Transport Planning

In the 2022/23 financial year, Green Procurement Guidelines were developed to advance the sector target of reducing Greenhouse Gas emission within the medium term. Another intervention that will not only advance the emission reduction agenda, but also alleviate the load carried on our roads is the development and implementation of the Freight Migration Plan. Through this plan, rail-friendly cargo will be determined, including allowable quantities for the road to rail split. A key determinant for the attainment of this target is the readiness of rail infrastructure to carry freight that is currently being moved on roads. The Draft Freight Migration Plan was developed as targeted during the period under review.

The establishment of the Transport Economic Regulator (TER) is another intervention that will play a vital role in improving technical, operational and pricing efficiency in sectors characterised by monopolies and have substantial and positive economy-wide impacts by helping to reduce the cost of trade and improve the overall competitiveness of the country. The Economic Regulation of Transport (ERT) Bill is being processed through Parliament and has been published for public consultations by the National Council of Provinces (NCOP).

To ensure an adequate regulatory environment for the implementation of autonomous vehicle technology in the country, a legislative gap analysis on the regulation of autonomous vehicles was conducted and a recommendation report has been developed. This report will guide the required amendment of legislation that will be prioritised within the medium term.

2.1.3.3 Programme 3: Rail Transport

As part of ensuring a rail transport sector that is safe and secure, the Railway Safety Bill is currently being processed in Parliament. Once approved, the Act will guide implementation of intervention to ensure rail commuters, including rail infrastructure are safeguarded accordingly.

A draft Private Sector Participation (PSP) Framework has been developed and consulted with key stakeholders in Government. It covers broad railways PSP issues, ranging from different forms of participation, the South African PSP context, as well as lessons learned from other countries. It also discusses basic principles that guide public authorities wanting to pursue public-private sector participation. The PSP Framework Implementation Plan will be developed in the 2023/24 financial year.

A draft High-Speed Rail (HSR) Corridor Framework has been developed, using existing literature on Multi-Criteria Assessment (MCA) prioritisation methods in transportation, to develop a draft HSR Framework that determines the evaluation criteria to be used in an MCA prioritisation method in South Africa to prioritise potential HSR corridors. The HSR Framework Implementation Plan will be developed in the 2023/24 financial year.

The Rolling Stock Fleet Renewal Programme has produced fifty-seven (57) new train sets during the 2022/23 financial year. A total of one hundred and forty-six (146) train sets were produced since the inception of the programme.

PRASA's Corridor Recovery Plan had identified eleven (11) priority corridors for resumption of minimum services by March 2023. The identified priority corridors are Pienaarspoort - Pretoria, Leralla - Elandsfontein - Johannesburg, Naledi - Johannesburg, Mabopane - Belle Ombre - Pretoria, Saulsville - Pretoria, Pretoria – Kaalfontein, Daveyton - Dunswart - Germiston, Cape Town - Simon's Town (Wynburg & Athlone), Cape Town - Khayelitsha/Kapteinsklip, Durban – Umlazi (Dalbridge) and Durban – KwaMashu). The service recovery on the eleven (11) priority corridors included the work on substations, station, overhead track equipment (OHTE), Perway, electrical equipment, signalling and telecoms.

2.1.3.4 Programme 4: Road Transport

The implementation of the National Road Safety Strategy was monitored nationally and in nine provinces. Regulatory law enforcement interventions were commissioned to improve road safety and reduce road crashes and fatalities. A reduction of 8.9% fatalities from 12 887 in the financial year 2021/22 to 11 739 in the financial year 2022/23.

In September 2022, the DLCA experienced a machine breakdown. As at 31 March 2023, a total of 3 407 567.00 cards had been produced by the card entity.

National and provincial road networks were rehabilitated and maintained during the period under review. On the national front, the entire 22 262 km of the SANRAL network was exposed to routine maintenance.

In line with the Provincial Road Maintenance Programme, the provincial road network was exposed to rehabilitation, maintenance, re-surfacing, resealing, blacktop patching, blading and re-gravelling during the period under review. Over 65 316 job opportunities were reported, with some opportunities being for women, youth and persons with disabilities.

The user-pay principle simply implies that the road user is aware of their road user costs and therefore pay the correct price for the road use. When it comes to the financing of roads through tolling, this principle remains government policy. Currently, compliance with the user-pay principle at conventional toll plazas is 100%. The only area where there is non-compliance is on the SANRAL network where the GFIP was implemented. Compliance on this network is 20%. The Minister of Finance pronounced during the 2023 Budget Vote the scrapping of e-toll and how the NT and Gauteng Government will share costs to fund the outstanding debt. Government has set-up a Task Team working on e-toll payment refunds to consider the practical implementation of the decision to scrap e-tolls.

2.1.3.5 Programme 5: Civil Aviation

Through the infrastructure build programme at ACSA, a sizeable number of job opportunities has been targeted for the medium term. In the 2022/23 financial year, ACSA reported actual performance of 17 045 job opportunities supported. Opportunities supported were 19% lower than the target of 17 064, showing a variance of 0,1%.

The Civil Aviation Branch was instrumental in pursuing representation of the country on International Civil Aviation Organisation (ICAO) council. South Africa was successful in its bid for re-election to serve in Part of the Council and secured 151 of the 171 votes cast. Over the medium term, the Department, in collaboration with SACAA, will optimise the implementation of the Aviation Safety Strategy to ensure that the fatal accidents in general aviation are reduced.

The Department, in collaboration with the aviation sector and relevant agencies, will optimise the establishment of the Aviation Safety Investigation Board in the 2023/24 financial year as an independent body.

2.1.3.6 Programme 6: Maritime Transport

Inefficiencies in container freight rail and port services raise the cost of South Africa's imports and make our exports less competitive. To address this, the Department, in partnership with the

Department of Public Enterprises (DPE) and Transnet, are implementing a number of structural reforms. Among notable achievements in this space, the following were recorded:

- The establishment of the National Ports Authority as an independent subsidiary of Transnet provided a boost for investor confidence;
- Processes have been initiated to award more concessions in the ports, to partner with the private sector for massive investments in new container port terminals, and to partner with an international terminal operator to assist Transnet Port Terminals to improve its container freight operations; and
- Plans are already afoot to introduce third party access on the freight rail network.

The finalisation of the 3-Foot plan amendment process for Marine Transport and Manufacturing Delivery Unit is still ongoing. Inputs were added to assist the Working Groups and the implementation plans proceeded to the Cluster and Cabinet process in early 2023.

2.1.3.7 Programme 7: Public Transport

During the 2022-23 financial year, the Department undertook to pilot the implementation of an integrated single ticketing system utilising the SANRAL Transaction Clearing House. The Department jointly worked with IPTN cities, as well as other authorities and operators to ensure readiness prior to the amended National Land Transport Act (NLTA) regulations. A pilot phase roll-out of Integrated Single Ticketing System was monitored in Rustenburg and Polokwane Local Municipalities. Polokwane moved from Dry Run testing since August 2022 to live pilot implementation in December 2022. They have since done over R1.37 million in top up card transaction value, as well as 129 000 fare payment transactions on Leeto La Polokwane in March 2023, Polokwane averaged over 2 300 fare transaction a day, which will increase as the system expands.

Overall municipal performance on Universal Design and Access Plans (UDAPs) development improved in 2022-2023, demonstrating better performance overall. There is progress on the implementation of universal access within municipalities. Municipal officials have largely succeeded in identifying municipal instruments and policies that can assist in overcoming barriers in the medium to long term. Eight (08) out of ten (10) municipalities produced a UDAP not older than 2020, except for Tshwane and Ekurhuleni. Eight out of ten municipalities are operational, save for eThekwini and Mangaung. However, all ten municipalities were able to present progress on their UDAP development. There is marked improvement in Rustenburg, Ekurhuleni and Cape Town municipalities, while Tshwane, Johannesburg and Cape Town are in a stable condition. Of concern, is that Mangaung slipped further from low to worsening performance.

Regarding the implementation of the Revised Taxi Recapitalisation Programme, the number of vehicles scrapped was negatively affected due to slow uptake by the industry. A total of 2 576 old taxi vehicles (OTVs) were scrapped during the period under review. To ensure that uptake by the industry is improved, and that more OTVs are scrapped, the Department is in the process of gazetting a cut-off date of OTVs and considering the inclusion of learner and cross-border vehicles in the scrapping.

The *Shova Kalula* (Ride Easy) bicycle project is a national bicycle programme initiated by the Department as a pilot project in 2001, with the purpose of promoting and maximising the use of bicycle as a low-cost mobility solution to poor communities, particularly in the rural areas. The project provides for distribution of bicycles to learners from poor households who walk more than 3 kilometres to their educational resource centres. During the period under review, a total of 2 901 bicycles were distributed across Limpopo, Mpumalanga and KwaZulu-Natal.

2.1.3.8 Key policy developments and legislative changes

The following key policy developments and legislative challenges were identified by the Department:[13]

- ERT

To address regulatory and capacity gaps that relate to South Africa’s need for an efficient and cost-effective transport system, in order to raise economic growth and meet its social goals, the Department is in the process of finalising the ERT Act, which will affect the establishment of a TER.

[13] Department of Transport (2023) pp. 66–67.

The Bill is currently before the NCOP, with the submission of final mandate papers by Provincial Legislatures scheduled for the end of November 2023.

- National Road Traffic Amendment Bill

The Bill seeks to reduce the blood alcohol limit to zero with the result that no one on the road should be operating a motor vehicle, whilst under the influence of alcohol and drugs.

- Railway Safety Bill

The Bill seeks to improve the regulatory framework regulating safety in the Republic of South Africa in order to improve safety for passenger and freight.

- Private Sector Participation Framework

The Framework will provide a platform for introduction and/or attraction of private operators in rail. It will also assist in the identification of areas of rail where the private sector could participate.

- National Learner Transport Policy Review

The Policy recognises the need to have a uniform approach to the transportation of learners and the fulfilment of the constitutional mandate of the Department to provide a safe and efficient transport. The review of the Policy will seek to, among others, ascertain if the Policy is achieving its intended outcomes.

2.1.3.8.1 Institutional Policies and Strategies over the five-year planning period

The following institutional policies and strategies over the five-year planning period was presented by the Department per the amended Strategic Plan presented for the 2022/23 year under review:[14]
a) National White Paper on Transport Policy, 1996
To provide safe, reliable, effective, efficient, and fully integrated transport operations and infrastructure which will best meet the needs of freight and passenger customers at improving levels of service and cost in a fashion which supports government strategies for economic and social development whilst being economically and environmentally sustainable.

b) Green Transport Strategy (GTS) (2018 - 2050)
To minimise the adverse impact of transport on the environment, while addressing current and future transport demands. This is underpinned by sustainable development principles. The strategy will promote green mobility to ensure that the transport sector supports the achievement of green economic growth targets and the protection of the environment. The objectives of the GTS include:
- Enabling the transport sector to contribute to the national effort to combat climate change;
- Promoting behavioural changes towards sustainable mobility alternatives;
- Engaging the low carbon transition of the sector, to assist with aligning and developing of policies which promote energy efficiency and emission control measures in all transport modes;
- Minimising the adverse effects of transport activities on the environment; and
- Facilitating the sector's just transition to climate resilient transport system and infrastructure.

c) Road Freight Strategy
- To improve the effectiveness of regulation and enforcement of quality standards and to ensure equity between road freight transport operators within a system of quality-regulated competition;
- To optimise the efficiency of road freight services to industry and reduce externalities of the mode in terms of accidents, pollution, congestion, infrastructure damage and anti-social activities;
- To propose an effective and efficient rail/road split;
- To promote regional trade integration and improve cross-border transport efficiency to enhance national competitiveness.

d) Regional Corridor Strategy of South Africa
- To regulate and integrate national and regional freight corridors, and address pertinent issues in the road freight sector;
- To facilitate and grow trade within the region.

[14] Department of Transport (2022/23b), pp. 24–33.

e) National Freight Logistics Strategy
- To develop a more productive freight system that can access currently excluded service providers and owners;
- To reduce freight transport costs and reduce traveling and handling time.

f) National Road Safety Strategy (2016 - 2030)
The strategy has a long-term strategic approach to tackling road carnage and is aligned to the NDP's objective of improving the health status of South Africans. The Strategy is also aligned with the safe systems approach which acknowledges that humans commit errors by nature and that the road infrastructure should therefore be forgiving.

g) Roads Policy for South Africa
The Policy sets out the strategic position of national government on all matters relating to road regulation, roads infrastructure, road safety, road funding and non-motorised transport.

h) White Paper on National Policy on Airports and Airspace Management, 1997
This is a national policy response on airports and airspace management as a result of far-reaching changes which have occurred in South Africa, in general, and in civil aviation in particular.

i) National Civil Aviation Policy
- To promote tourism, investment and trade, as well as job creation;
- To take into consideration continental integration initiatives.

j) National Airports Development Plan
- To address gaps between the current airport network and the future desired state;
- To guide and support overall network planning and the development of individual airports integrated within their broader spatial and transport contexts, in consultation with key airport stakeholders.

k) Comprehensive Maritime Transport Policy
To facilitate growth, development and transformation of South Africa's maritime transport sector in support of socio-economic development whilst contributing to international trade.

l) National Commercial Ports Policy, 2002
To ensure an internationally-competitive port system informed by the knowledge that efficient ports are known to be catalysts for increased trade, and thus provide a comparative advantage for international trade. The Policy aims to ensure affordable, internationally competitive, efficient and safe port services based on the application of commercial rules in a transparent and competitive environment applied consistently across the transport system. The importance of this Policy is further highlighted by the fact that globalisation pressures make it essential that nations integrate their transport systems into the global logistics network. Ports are naturally being incorporated into this changing system and have to adjust to the new challenges and environment.

m) Inland Waters Strategy
- To provide a level of protection to citizens who use inland waters for swimming and other recreational activities; - To ensure that buoys and lights are standardised for safe navigation, and to reduce boating accidents.

n) Taxi Recapitalisation Policy, 2009
An intervention by Government to bring about safe, effective, reliable, affordable and accessible taxi operations by introducing New Taxi Vehicles designed to undertake public transport functions in the taxi industry.

o) Learner Transport Policy
- To guide the implementation of a shared vision to improve access to quality education through a coordinated and aligned learner transport system;
- To improve the planning and implementation of an integrated learner transport service;
- To ensure effective management of learner transport system;
- To provide reliable, safe and secure transport for learners through cooperation and collaboration with law enforcement authorities;
- To provide for an effective institutional framework to coordinate the implementation of the Policy.

p) Rural Transport Strategy
- To develop a balanced and sustainable rural transport systems by supporting local infrastructure and services;
- To improve access roads, develop passable roads, and address neglected infrastructure and corridors that are linked to markets and other social services.

q) National Land Transport Strategic Framework
The National Land Transport Strategic Framework was first developed in 2006, as a legal requirement in terms of section 21 of the National Land Transport Transition Act (Act No. 22 of 2000). The framework represents an overarching, national five-year (2006 to 2011) land transport strategy, which gives guidance on transport planning and land transport delivery by national government, to nine provinces and all municipalities for this five-year period.

A revised fiscal framework also accounts for substantial revenue losses emanating from the economic shock of COVID-19 pandemic and the subsequent lockdown. The lockdown significantly delayed planned programmes, projects and expenditure in the sector. As a result, the Department, Provinces and Municipalities, in their revised budget applications, would have to show delayed milestones and targets, the impact on their operational revenue and how they intend to mitigate the risk towards desired recovery and achievement of medium- to long-term outcomes.

The revision exercise thus focused, amongst others, on downscaling and/or reducing performance targets, particularly where programmes were impacted by budget cuts; and also, on prioritising interventions critical in mitigating the impact of the COVID-19 pandemic, thus saving lives of the South Africans, where necessary. In revising performance targets, the NDP, the seven (7) apex priorities of the 6th Administration and the MTSF 2019 – 2024 remained the authoritative documents from which the exercise took guidance. For the remainder of the current Medium-Term Expenditure Framework (MTEF), baseline allocations would be used to provide for the rapidly changing economic conditions and enable spending on the COVID-19 response.

2.1.3.8.2 Legislative challenges

The Department had seven (7) Bills that were processed during the year under review or still currently before Parliament and one (1) Bill was tabled in the 2023/24 financial year. These bills are listed as follows:
1) Economic Regulation of Transport Bill, 2020 [B1-2020] (introduced 31 January 2020 and currently in the NCOP process);
2) Transport Appeal Tribunal Amendment Bill, 2020 [B8-2020] (introduced 29 May 2020 and still before the Committee);
3) National Road Traffic Amendment Bill, 2020 [B7-2020] (introduced 29 May 2020 and currently in the NCOP process);
4) Railway Safety Bill, 2021 [B7-2021] (introduced 19 March 2021, debated on 24 October 2023 and transmitted to the NCOP on the same day);
5) National Land Transport Amendment Bill, 2016 [B7-2016] (introduced 15 April 2016 and referred back to Parliament by the Presidency on 9 September 2021 to address the reservations about the Bill's constitutionality – currently in the NCOP process);
6) Marine Pollution (Prevention of Pollution from Ships) Amendment Bill [B5-2022] (introduced 31 January 2022 and currently in the NCOP process);
7) Marine Oil Pollution (Preparedness, Response and Cooperation) Bill [B10-2022] (introduced 10 March 2022 and report finalised on 24 October 2023, debated on 14 November 2023 and transmitted to the NCOP on the same day);
8) Merchant Shipping Bill [B12-2023] (introduced 11 May 2023 and still before the Committee – although the Bill was tabled outside of the year under review, the Department intended per its Focus Area 4 to have the Bill be promulgated and assented into law by the end of the 2019-2024 five-year targets, and reported progress on this by 31 March 2023 as being "Notice of intention to introduce Merchant Shipping in Parliament has been published". The planned target for the 2022/23 year under review linked to the Bill was to have the Bill approved for introduction to Parliament, and the reported actual achievement is that the notice to introduce was published).

2.1.4 Achievements highlighted, significant events and/or projects for the year 2022/23 as reported by the Department

The following is a summary of selected achievements by the Department during the year under review as highlighted by the Committee:

- For the period under review, the Department monitored the internship programme. Approval was granted for placement of 50 interns within various branches of the Department, with the appointment date of 1 April 2023 and assumption of duty on 3 April 2023;[15]
- Addressing the effects of the transport sector on the environment remains one of the key objectives of the Department. In the 2022/23 financial year, the Department developed the Green Procurement Guidelines, 2022, to advance the sector target of reducing Greenhouse Gas emission within the medium-term;[16]
- Another intervention that will not only advance the emission reduction agenda, but also alleviate the load carried on the country's roads is the development and implementation of the Freight Migration Plan. The Draft Freight Migration Plan was developed as targeted during the period under review;[17]
- South Africa finds itself in a situation where the country's State-Owned Companies (SOCs) are not able to drive the level of public sector infrastructure investment required due to high levels of borrowings and gearing facing these companies. The need for the development of a PSP Framework for the railway sector to create a conducive environment for private sector participation has been identified in the South African Reconstruction and Recovery Plan. A Draft PSP Framework was developed and consultation with key stakeholders in Government took place;[18]
- The upgrading, refurbishment and maintenance of national and provincial roads were executed during the period under review. Performance exceeded the set quarterly targets due to the latest proclaimed roads into the SANRAL network from 22 253 km to 23 559 km, with the latest network proclamations and survey data being used. For the mid-term, 22 253 km of the SANRAL network was exposed to routine maintenance;[19]
- The *S'hamba Sonke* Provincial Road Maintenance Programme continued to prioritise rehabilitation and re-surfacing of surfaced roads, blacktop patching, blading and re-gravelling of gravel roads during the reporting period;[20]
- The State of Aviation Accidents and Incidents in South Africa indicated that during the period under review, the Accidents and Incidents Investigation Division (AIID) recorded fifteen (15) serious incidents. This showed a 71% decrease when compared to the 2021/22 financial year. The Department, in collaboration with the SACAA, implemented the Aviation Safety Strategy to ensure the reduction in fatal accidents in general aviation;[21]
- Inefficiencies in container freight rail and port services raise the cost of South Africa's imports and make the country's exports less competitive. To address this, the Department, in partnership with the DPE and Transnet, are implementing a number of structural reforms. Among notable achievements in this space, the following were recorded:[22]
  - The establishment of the National Ports Authority as an independent subsidiary of Transnet provided a boost for investor confidence;
  - Processes were initiated to award more concessions in the ports, to partner with the private sector for massive investments in new container port terminals and to partner with an international terminal operator to assist Transnet Port Terminals to improve its container freight operations;
  - Plans are afoot to introduce third party access to the freight rail network.

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15 Department of Transport (2023), p. 99.

16 Department of Transport (2023), p. 125.

17 Department of Transport (2023), pp.125-126.

18 Department of Transport (2023), p. 135.

19 Department of Transport (2023), p. 147.

20 Department of Transport (2023), p. 148.

21 Department of Transport (2023), p. 167.

22 Department of Transport (2023), pp. 178-179.

- During the 2022/23 financial year, the Department undertook to pilot the implementation of an integrated single ticketing system utilising the SANRAL Transaction Clearing House. The Department has jointly worked with IPTN cities, as well as other authorities and operators to ensure readiness prior to the amended NLTA Regulations. A pilot phase roll-out of integrated single ticketing system monitored in Rustenburg and Polokwane Local Municipalities. Polokwane moved from dry run testing since August 2022 to live pilot implementation in December 2022. They have since done over R1.4 million in top up card transaction value, as well as 129 000 fare payment transactions on Leeto La Polokwane. In March 2023, Polokwane averaged over 2 300 fare transaction a day, which will increase as the system expands. The major outputs of the 2022/23 financial year were the launching of the first two live pilots of the integrated ticketing system in Rustenburg initially, followed by Polokwane. In addition to these two live pilots, the Department finalised the amendments to the NLTA Regulation on integrated ticketing and this is with the Legal Division for further processing.[23]

3. OVERVIEW AND ASSESSMENT OF FINANCIAL PERFORMANCE

3.1 2018/19

Table 2: Appropriation Statement for 2018/19

Programme R'000	2018/19			2017/18		
	Final Approp. R'000	Actual Expenditure R'000	Over/Under Expenditure R'000	Final Approp. R'000	Actual Expenditure R'000	Over/Under Expenditure R'000
Programme 1: Administration	434 094	379 809	54 285	415 254	407 466	7 788
Programme 2: Integrated Transport Planning	89 982	71 375	18 607	83 075	76 360	6 715
Programme 3: Rail Transport	15 887 279	15 873 693	13 586	19 333 199	14 515 158	4 818 041
Programme 4: Road Transport	30 098 760	30 067 108	31 652	27 138 175	27 118 369	19 806
Programme 5: Civil Aviation Transport	182 253	167 718	14 535	171 165	166 149	5 016
Programme 6: Maritime Transport	129 126	123 993	5 133	128 417	109 327	19 090
Programme 7: Public Transport	13 009 800	12 509 758	500 042	12 525 895	12 277 572	248 823
Direct charge against Revenue Fund	10 200	2 976	7 224	10 000	5 559	4 441
Total	**59 841 494**	**59 196 430**	**645 064**	**59 805 180**	**54 675 960**	**5 129 220**

(**Source: Department of Transport, (2019b))**

For the 2018/19 financial year, the Department had received a budget of R59.8 billion and of this amount, it spent R59.2 billion by the end of the financial year, that is 98.9% of the available budget, up from R54.7 billion (or 91.4%) of the R59.8 billion it had spent by the same time in 2017/18. The Department underspent a total amount of R645.1 million, translating into an under-expenditure of 1.1%. The biggest under-expenditure was in the Public Transport programme. Of the R13 billion that had been allocated to this programme, the Department had spent R12.5 billion (or 96.2%) by the end of the reporting period, indicating an under-expenditure of R500 million (or 3.8%). The Compensation of Employees (CoE) was underspent in all programmes due to posts that could not be filled.[24]

3.2 2019/20

Table 3: Appropriation Statement for 2019/20

Programme	2019/20	2018/19

[23] Department of Transport (2023), p. 190.

[24] Department of Transport (2019b), p. 35.

	Final Approp.	Actual Expenditure	Over/Under Expenditure	Final Approp.	Actual Expenditure	Over/Under Expenditure
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Programme 1: Administration	419 337	412 741	6 596	434 094	379 809	54 285
Programme 2: Integrated Transport Planning	152 936	139 950	12 986	89 982	71 375	18 607
Programme 3: Rail Transport	16 560 839	16 560 238	601	15 887 279	15 873 693	13 586
Programme 4: Road Transport	33 295 501	33 285 865	9 636	30 098 760	30 067 108	31 652
Programme 5: Civil Aviation Transport	224 345	178 820	45 525	182 253	167 718	14 535
Programme 6: Maritime Transport	135 250	132 879	2 371	129 126	123 993	5 133
Programme 7: Public Transport	13 416 923	13 178 118	238 805	13 009 800	12 509 758	500 042
Direct charge against Revenue Fund	10 424	2 614	7 810	10 200	2 976	7 224
Total	**64 215 555**	**63 891 225**	**324 330**	**59 841 494**	**59 196 430**	**645 064**

(**Source: Department of Transport, (2020))**

For 2019/20, the Department had received a budget of R64.2 billion and of this amount, it spent R63.9 billion by the end of the financial year, that is 99.5% of the available budget, up from R59.2 billion (or 98.9%) of the R59.8 billion it had spent by the same time in 2018/19.

The Department underspent a total amount of R324.3 million, translating into an under-expenditure of 0.5%. The biggest under-expenditure was in the Public Transport programme. Of the R13.4 billion that had been allocated to this programme, the Department had spent R13.2 billion (or 98.2%) by the end of the reporting period, indicating an under-expenditure of R238.8 million (or 1.8%). The CoE was underspent in all programmes due to posts that could not be filled.[25]

3.3 2020/21

Table 4: Appropriation Statement for 2020/21

Programme	2020/21			2019/20		
	Final Approp.	Actual Expenditure	Over/Under Expenditure	Final Approp.	Actual Expenditure	Over/Under Expenditure
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Programme 1: Administration	469 780	384 336	85 444	419 337	412 741	6 596
Programme 2: Integrated Transport Planning	90 071	57 614	32 457	152 936	139 950	12 986
Programme 3: Rail Transport	9 599 405	9 584 302	15 103	16 560 839	16 560 238	601
Programme 4: Road Transport	31 472 160	31 459 985	12 175	33 295 501	33 285 865	9 636
Programme 5: Civil	2 670 849	2 642 208	28 641	224 345	178 820	45 525

[25] Department of Transport (2020), p. 31.

Programme	2020/21			2019/20		
	Final Approp.	Actual Expenditure	Over/Under Expenditure	Final Approp.	Actual Expenditure	Over/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Aviation Transport						
Programme 6: Maritime Transport	144 618	135 776	8 842	135 250	132 879	2 371
Programme 7: Public Transport	12 907 852	12 809 594	98 258	13 416 923	13 178 118	238 805
Direct charge	10 997	-	10 997	10 424	2 614	7 810
Total	**57 365 732**	**57 073 815**	**291 917**	**64 215 555**	**63 891 225**	**324 330**

(Source: Department of Transport, (2021b))

For 2020/21, the Department had received a budget of R57.4 billion and of this amount, it spent R57.1 billion by the end of the financial year, that is 99.5% of the available budget. The expenditure pattern of the Department remains the same as in the previous financial year, when it had spent the same percentage (i.e. 99.5%) of the R64.2 billion allocated to it.

The Department underspent a total amount of R291.9 million, translating into an under-expenditure of 0.5%. In terms of Rand value, the biggest under-expenditure was in the Public Transport programme. Of the R12.9 billion that had been allocated to this programme, the Department had underspent R98.2 million (or 0.8%) of its allocation. Given the size of this programme's overall budget, the smallest proportion would suggest significant amounts in monetary value. However, the Integrated Rail Transport Planning programme was the worst performing in terms of proportional expenditure, as it underspent 36% of its budget. This is a significant decline from the previous year when it's managed to spent 91.5% of its budget.

In contrast, the Civil Aviation Transport programme's expenditure improved in 2020/21. In 2019/20, its expenditure was 79.7%. However, expenditure reached 98.9%.

Compensation of Employees was underspent across all programmes, bar the Maritime Transport programme, "due to posts that could not be filled".[26] Goods and Services underspent in most programmes owing to the effects of the COVID-19 pandemic.[27]

3.4 2021/22

Table 5: Appropriation Statement for 2021/22

Programme	2021/22			2020/21		
	Final Approp.	Actual Expenditure	Over/Under Expenditure	Final Approp.	Actual Expenditure	Over/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Programme 1: Administration	521 938	439 550	82 388	469 780	384 336	85 444
Programme 2: Integrated Transport Planning	83 427	64 740	18 687	90 071	57 614	32 457
Programme 3: Rail Transport	16 796 420	16 768 179	28 241	9 599 405	9 584 302	15 103
Programme 4: Road Transport	34 221 977	34 123 692	98 285	31 472 160	31 459 985	12 175
Programme 5: Civil Aviation Transport	564 322	546 031	18 291	2 670 849	2 642 208	28 641

26 Department of Transport (2021), p. 32.

27 Ibid.

Programme	2021/22			2020/21		
	Final Approp.	Actual Expenditure	Over/Under Expenditure	Final Approp.	Actual Expenditure	Over/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Programme 6: Maritime Transport	148 177	115 600	32 577	144 618	135 776	8 842
Programme 7: Public Transport	13 089 277	12 845 485	243 792	12 907 852	12 809 594	98 258
Direct charge against the National Revenue Fund	11 602	3 372	8 230	10 997	-	10 997
Total	**65 437 140**	**64 906 649**	**530 491**	**57 365 732**	**57 073 815**	**291 917**

(Source: Department of Transport (2022a))

For 2021/22, the Department had received a budget of R65.4 billion and of this amount, it spent R64.9 billion by the end of the financial year, that is 99.2% of the available budget. The expenditure pattern of the Department slightly decreases from the previous financial year, when it had spent R57.1 billion (i.e. 99.5%) of the R57.4 billion allocated to it.

The Department underspent a total amount of R530.5 million, translating into an under-expenditure of 0.8%. In terms of Rand value, the biggest under-expenditure was in the Public Transport programme. Of the R13.1 billion that had been allocated to this programme, the Department had underspent R243.8 million (or 1.9%) of its allocation. Given the size of this programme's overall budget, the smallest proportion would suggest significant amounts in monetary value. However, the Integrated Transport Planning programme was the worst performing in terms of proportional expenditure, as it underspent 22.4% of its budget. Notwithstanding this, the programme's expenditure slightly went up compared to the previous financial year when it had managed to spend 64% of its budget.

The Department underspent on the CoE due to vacant posts that could not be filled in the 2021/22 financial year.[28] The Annual Performance Plan target of the Department was to fill 50 posts for the period under review. However, the Department averred that a total of 61 posts had been filled as at the end of the 2021/22 financial year.[29] In addition, it stated that most of the posts that had been filled during the financial year were through internal promotions and this included the recorded resignations, retirements and transfers outside the Department which contributed to the underspending on CoE.

Goods and Services were underspent across programmes due to non-spending on a number of projects. The Department reported that the procurement plan had been reviewed and revised to improve the spending on projects. However, due to delayed procurement, other projects could not be finalised by the end of the financial year "and those projects will be deferred to the coming financial year" (2022/23).[30] Other projects were reportedly "done in house and were performed as targeted".[31]

3.5 2022/23

Table 6: Appropriation Statement for 2022/23

Programme	2022/23			2021/22		
	Final Approp.	Actual Expenditure	Over/Under Expenditure	Final Approp.	Actual Expenditure	Over/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000

[28] Department of Transport (2022a), p. 300.

[29] Ibid.

[30] Ibid.

[31] Ibid.

Programme	2022/23			2021/22		
	Final Approp.	Actual Expenditure	Over/Under Expenditure	Final Approp.	Actual Expenditure	Over/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Programme 1: Administration	517 759	473 088	44 671	521 938	439 550	82 388
Programme 2: Integrated Transport Planning	93 003	78 521	14 482	83 427	64 740	18 687
Programme 3: Rail Transport	20 012 447	19 971 590	40 857	16 796 420	16 768 179	28 241
Programme 4: Road Transport	59 954 457	59 735 778	218 679	34 221 977	34 123 692	98 285
Programme 5: Civil Aviation Transport	424 753	413 982	10 771	564 322	546 031	18 291
Programme 6: Maritime Transport	158 185	147 323	10 862	148 177	115 600	32 577
Programme 7: Public Transport	13 973 633	13 722 929	250 704	13 089 277	12 845 485	243 792
Direct charge against the National Revenue Fund	12 034	1 542	10 492	11 602	3 372	8 230
Total	**95 146 271**	**94 544 753**	**601 518**	**65 437 140**	**64 906 649**	**530 491**

(Source: Department of Transport (2023))

For 2022/23, the Department had received a budget of R95.1 billion and of this amount, it spent R94.5 billion by the end of the financial year, that is 99.4% of the available budget. The expenditure pattern of the Department slightly increases from the previous financial year, when it had spent R64.9 billion (i.e. 99.2%) of the R65.4 billion allocated to it.

The Department underspent a total amount of R601.5 million, translating into an under-expenditure of 0.6%. In terms of Rand value, the biggest under-expenditure was in the Public Transport programme. Of the approximately R14 billion that had been allocated to this programme, the Department underspent R250.7 million (or 1.8%) of its allocation. Given the size of this programme's overall budget, the smallest proportion would suggest significant amounts in monetary value. However, the Integrated Transport Planning programme was the worst performing in terms of proportional expenditure, as it underspent 15.6% of its budget. Notwithstanding this, the programme's expenditure slightly went up compared to the previous financial year when it had managed to spend 77.6% of its budget.

The Department underspent on the CoE due to vacant posts that could not be filled in the 2022/23 financial year.[32] During the period under review, the Department had 890 posts on its establishment, and of these, 675 were filled.[33] Goods and Services were underspent across programmes due to non-spending on a number of projects as some projects were reportedly "done in-house while others were deferred to the coming financial year (2023/24)".[34]

3.5.1 Programme 1: Administration

By the end of 2022/23, the Administration programme had spent R473.1 million (or 91.4%) of the R517.8 million allocated to it, translating into an under-expenditure of R44.7 million (or 8.6%). This was mainly on CoE, Goods and Services, Transfers and Subsidies, as well as payment of capital assets. The underspending on CoE was due "to posts that could not be filled" by the end of the

[32] Department of Transport (2023), p. 26.

[33] Ibid.

[34] Department of Transport (2023), p. 31.

reporting period.[35] The under-expenditure on Goods and Services was attributed to "various operational items, as well as projects that will commence in the new financial year".[36] These encompassed the capacity development (track and trace) project, the public-private partnership (PPP) for office accommodation, the document management solution and other internal audit projects.

In addition, the programme underspent on Households for bursaries to non-employees to the University of North-West, Stellenbosch and Witwatersrand, as well as on payment for capital assets due to delays in the process of procuring bulk laptops by the Department.[37] Moreover, a total amount of R2.7 million was shifted from Goods and Services to augment excess expenditure on Transfers and Subsidies for the payment of vehicle licence fees and leave gratuities. This was also intended to defray expenditure on theft and losses under payments for financial assets and payments for capital assets.[38]

3.5.2 Programme 2: Integrated transport planning

The budget allocation for the Integrated Transport Planning programme stood at R93 million and of this amount, the programme had spent R78.5 million (or 84.4%) by the end of the reporting period, translating into an under-expenditure of R14.5 million (or 15.6%).

The underspending was on CoE owing to "posts that could not be filled" by the end of the period under review.[39] It was also on Goods and Services due to "a number of projects that [were] yet to commence such as the National Transport Planning Databank and the Corridor Freight Development".[40]

Other factors that contributed to the underspending in the programme were that "projects [were] undertaken in-house such as the Road Freight Strategy, District Development Model, the National Land Transport Strategic Framework, as well as other projects within the programme".[41]

The Integrated Transport Planning programme overspent on Transfers and Subsidies due to the payment of leave gratuities and payment for capital assets. This was attributed to the purchase of individual laptops and desktops that had not been part of the bulk laptop purchasing, as well as to the "payment for financial assets due to debt written off".[42]

In total, an amount of R182 000.00 was shifted from Goods and Services to augment excess expenditure on Transfers and Subsidies for leave gratuities, as well as to defray expenditure on theft and losses under payments for financial assets and payments for capital assets.[43]

3.5.3 Programme 3: Rail transport

For the 2022/23 financial year, the budget for the Rail Transport programme sat at R20 012 447 billion and of this amount, the programme had spent R19 971 590 billion (or 99.8%) by the end of the period under review. The programme underspent R40.9 million (or 0.2%) mainly on Goods and Services mainly on CoE "due to a number of vacancies that could not be filled" during the reporting period.[44] It was also on Goods and Services on the Housing Development Agency as the emergency application to relocate informal dwellers was not approved by the City of Cape Town. Moreover, the

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[35] Department of Transport (2023), p. 26.

[36] Ibid.

[37] Ibid.

[38] Ibid.

[39] Department of Transport (2023), p. 26.

[40] Department of Transport (2023), p. 27.

[41] Ibid.

[42] Ibid.

[43] Ibid.

[44] Department of Transport (2023), p. 27.

under-expenditure was attributed to the establishment of the Rail Economic Regulator, the National Rail Master Plan, as well as other projects and operational costs.

However, the Rail Transport programme overspent on payment for capital assets due to the purchase of individual laptops and desktops that had not been part of the bulk laptop purchasing. Finally, the programme overspent on payment for financial assets “due to debt written off”.[45] An amount of R490 000.00 was shifted from Goods and Services to defray expenditure on theft and losses under payments for financial assets and payments for capital assets.[46]

3.5.4 Programme 4: Road transport

Of approximately R60 billion allocated to the Road Transport programme for 2022/23, it spent R59.7 billion (or 99.6%). The programme underspent by R218.7 million (or 0.4%) mainly on CoE as several vacancies could not be filled during the period under review. The Road Transport programme also underspent on Goods and Services in projects such as the Programme Development for *S’hamba Sonke*, Road Transport Legislative Review Project, Development of Road Asset Management Tool, Sustainable Roads Implementation Guideline and the Central Data Repository for Roads. The Department reported that all these projects had “been deferred to the coming financial year [2023/24]”.[47]

Moreover, the Road Transport programme underspent on Transfers and Subsidies for outstanding payment to the RTIA for the Administrative Adjudication of Road Traffic Offences (AARTO) rollout pending the outcome of the court judgement.

However, the programme overspent on Transfers and Subsidies “due to the payment of leave gratuities and payment for capital assets due to the purchase of individual laptops and desktops which were not part of the bulk laptop purchasing”.[48] It also overspent on payment for financial assets due to the “debt written off”.[49]

An amount of R147 000.00 was shifted from Goods and Services to augment excess expenditure on Transfers and Subsidies for payment of leave gratuities. In addition, the shifting of funds was to defray expenditure on theft and losses under payments for financial assets and payments for capital assets.[50]

3.5.5 Programme 5: Civil aviation transport

By the end of 2022/23, the Civil Aviation Transport programme had spent approximately R414 million (or 97.5%) against R424.8 million appropriated to it during the reporting period, indicating an under-expenditure of R10.8 million (or 2.5%). The programme recorded slight progress on spending during the period under review, up from 96.8% in 2021/22 when it had spent R546 million against R564.3 million that had been allocated to it during that reporting period.

The underspending in the Civil Aviation Transport programme was mainly on CoE, Goods and services, as well as Transfers and Subsidies. The underspending on CoE was attributed to vacancies that could not be filled by the end of the reporting period. As far as the under-expenditure on Goods and Services was concerned, the Department contended that it stemmed from the fact that projects had been “done in-house”.[51] Finally, the underspending on Transfers and Subsidies was attributed to “less funds paid to foreign governments and international organisations as per the agreements”.[52]

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[45] Ibid.

[46] Department of Transport (2023), p. 28.

[47] Ibid.

[48] Department of Transport (2023), p. 28.

[49] Ibid.

[50] Department of Transport (2023), p. 29.

[51] Ibid.

[52] Department of Transport (2023), p. 29.

The programme overspent on payment for capital assets due to the purchase of individual laptops and desktops which had not been part of the bulk laptop purchasing, as well as on payment for financial assets due to "debts written off".[53]

In total, an amount of R661 000.00 was shifted from Goods and Services to augment excess expenditure on Transfers and Subsidies for payment of leave gratuities, and to defray expenditure on theft and losses under payments for financial assets and payments for capital assets.[54]

3.5.6 Programme 6: Maritime transport

For the 202/23 financial year, the Maritime Transport programme had received R158.2 million and of this amount, it spent R147.3 million (or 93.1%), indicating an under-expenditure of R10.9 million (or 6.9%). The programme's spending improved noticeably from the previous financial year, up from 78% when it had spent R115.6 million against R148.2 million that had been appropriated to it during that reporting period.

The programme's underspending was mainly on Goods and Services in the following projects:[55]

- Maritime Policy and Legislation and the Marine Court of Enquiry that had been deferred to 2022/23;
- Automated Vessel Clearance which was "still at consultation stage";
- Other Goods and Services projects; and
- Transfers and Subsidies due to less funds paid to foreign governments and international organisations, as per the agreements.

However, the Maritime Transport programme overspent on payment for capital assets due to the purchase of individual laptops and desktops that had not been part of the bulk laptop purchasing, as well as on payment for financial assets due to the "debt written off".[56]

An amount totalling R474 000.00 was shifted from Goods and Services to defray expenditure on theft and losses under payments for financial assets and payments for capital assets.[57]

3.5.7 Programme 7: Public transport

By the end of the period under review, the Public Transport programme had spent R13.7 billion (or 98.2%) of approximately R14 billion allocated to it, translating into an under-expenditure of R250.7 million (or 1.8%).

The programme's under-expenditure was largely on CoE, Goods and Services, as well as Transfers and Subsidies. The underspending on CoE was mainly due to vacancies that could not be filled by the end of the financial year under review. Regarding Goods and Services, it was attributed to the Capacity for Public Transport Grant Monitoring, the *Shova Kalula* Bicycle Project, and less spending on the Taxi Recapitalisation Programme (TRP) due to less intake in the scrapping of taxis.[58] In addition, it was reported that the underspending was owing to the following projects that had been "done in-house":[59]

- National Land Transport Information System Upgrade;
- National Land Transport Act Amendment;
- National *Taxi Lekgotla*;
- National Public Transport Regulatory Business Case; and

[53] Ibid.

[54] Ibid.

[55] Ibid.

[56] Department of Transport (2023), p. 30.

[57] Ibid.

[58] Ibid.

[59] Ibid.

- TRP Planning Guidelines.

The Public Transport programme overspent on payment of leave gratuities under Households, as well as on payment for capital assets due to the purchase of individual laptops and desktops that had not been part of the bulk laptop purchasing. Furthermore, it overspent on payment for financial assets due to the debt that had been "written off".[60]

In total, an amount to the tune of R1.2 million was shifted to augment excess expenditure on Households for payment of leave gratuities and to defray expenditure on theft and losses under payments for financial assets and payments for capital assets under machinery and equipment.[61]

3.6 Virements and Roll Overs 2022/23

Table 7: Virements[62]

Programmes	Administration	Integrated Transport Planning	Rail Transport	Road Transport	Civil Aviation Transport	Maritime Transport	Public Transport	Total
Economic Classification	**'000**	**'000**	**'000**	**'000**	**'000**	**'000**	**'000**	**'000**
Compensation of Employees								
Goods and Services	(2 726)	(182)	(490)	(147)	(661)	(474)	(1 204)	(5 884)
Interest and Rent on Land								
Transfers and Subsidies	656	127		76	43		515	1 417
Payment for Capital Assets	1 955	49	487	21	617	470	683	4 282
Payment for Financial Assets	115	6	3	50	1	4	6	185
SUB-TOTAL								

(Source: Department of Transport (2023))

As previously stated, the Department underspent on Goods and Services due to a various project across programmes, as some projects were done in-house, while other were deferred to the 2023/24 financial year.

A total amount of R5.9 million was shifted from Goods and Services within programmes as follows:[63]

- R1.4 million to fund transfers and subsidies for payments for vehicle licences under provincial and local governments and Households for payments for leave gratuities, as a result of retirements and resignations that could not be anticipated;
- R4.3 million for payments for capital assets due to procurement of various capital assets;
- R185 000.00 for payment for financial assets owing to various theft and losses debts written off on travel and subsistence, as well as excess on vehicle damages.

Rollovers were requested as detailed in the table below:[64]

[60] Department of Transport (2023), p. 30.

[61] Ibid.

[62] Department of Transport (2023), p. 31.

[63] Department of Transport (2023), p. 31.

[64] Department of Transport (2023), pp. 31-32.

Table 8: Rollovers

Programme	R'000
Programme 1: Administration **Payment for Capital Assets:** Procurement of bulk laptops to refresh information technology (IT) hardware assets that have reached their five-year life span or more. Roll over requested to pay invoices on delivery of procured laptops and desktop that were ordered but could not be delivered by the end of the financial year to ease the financial pressures that may result from the unfunded capital procurement to be incurred in the 2023/24 financial year.	5 548
Programme 7: Public Transport	**122 651**
Goods and Services: Procurement of 12 000 bicycle to deliver on the mandate aimed at supporting the Department's National Learner Transport Policy, Rural Transport Strategy priorities and the promotion of Non-Motorised Transport project to improve mobility and access to basic needs to alleviate transport pressure on poor households and ensure access to public transport.	23 964
Transfers and Subsidies: Low intake of scrapping of Old Taxi Vehicles by operators which is demand-driven performance area, roll over was requested for Revised Taxi Recapitalisation Programme (RTRP) which is focusing on identifying and exploring opportunities to accelerate economic empowerment and sustainability within the taxi industry and ultimately reduce dependence on Government funding.	98 687
Total	**128 199**

(Source: Department of Transport (2023))

3.7 Unauthorised, fruitless and wasteful and irregular expenditure 2022/23

3.7.1 Unauthorised expenditure

The Department incurred unauthorised expenditure in 2013/14, 2014/15 and 2016/17 due to the electronic National Traffic Information System (eNaTIS) maintenance and operations amounting to R1.3 billion. It also incurred unauthorised expenditure to the tune of R980.375 in 2018/19 as expenditure that had been incurred not in accordance with the vote of the programme: Road Transport. Cumulative expenditure to the date of tabling amounted to R1.3 billion on unauthorised expenditure.

According to the Department, unauthorised expenditure had been condoned by Parliament and was coordinated by NT.[65] Moreover, it averred that NT had indicated that it was still waiting for the response from Parliament, and once received, it would be communicated to all affected departments.[66]

The Department reported that it had not incurred unauthorised expenditure during the period under review.[67]

3.7.2 Fruitless and wasteful expenditure

The Department had twenty-nine (29) cases amounting to R42 992.01 for the 2021/22 financial year. For the 2022/23 financial year, five (5) cases were added, three (3) were written off and two (2) were transferred to debt. By the end of the 2022/23 financial year, the Department had twenty-nine (29) cases amounting to R44 119.51.[68]

Table 9: Fruitless and Wasteful Expenditure

Fruitless and Wasteful Expenditure as at 31 March 2023

[65] Department of Transport (2023), p. 32.

[66] Department of Transport (2023), p. 32.

[67] Ibid.

[68] Department of Transport (2023), p. 33.

Reconciliation	Amount	Number
Balance at 31 March 2022	442 992.01	29
Additional cases	61 420 514.33	5
Written off	(61 415 100)	(2)
Transferred to debt	(4 287)	(3)
Balance at 31 March 2023	44 119.51	29

(Source: Department of Transport (2023))

For the period under review, the Department incurred four (4) cases of fruitless and wasteful expenditure amounting to R6 899.30, and it reported that of these, two (2) cases amounting to R3 785.80 would be transferred to debt and three (3) cases totalling to R3 113.50 would be "written off".[69]

Cases of losses mainly due to no shows are reported to the Loss Control Committee (LCC) to consider and determine the liability. If found in contravention of the applicable prescripts, the cost is recovered from the official and if not, the cost is written-off.

3.7.3 Irregular expenditure

The Department asserted that by the end of the period under review, irregular expenditure stood at R121.8 million and involved twenty-two (22) cases.[70] Moreover, it contended that no cases of irregular expenditure had been reported during the reporting period (confirmed by the AGSA presentation) and that there was one (1) case amounting to R251 746.12 relating to the previous years that had been declared.[71]

Reporting on progress on dealing with cases of irregular expenditure, the Department stated that ten (10) cases were with the Labour Relations unit at the time of reporting for disciplinary proceedings. It also stated that five (5) cases were with SCM to request for condonation from the NT. Finally, the Department asserted that seven (7) cases were with Forensic Investigations, with four (4) cases transferred to the Department of Higher Education to initiate disciplinary processes.[72]

The Department further indicated that it has put measures in place to prevent and/or detect irregular expenditure and that there was an irregular expenditure committee established.

3.7.4 Measures put in place to prevent and/or detect irregular expenditure

The table below indicates the measures that were indicated in the Annual Report as having been put in place to prevent and/or detect irregular expenditure.[73]

The Committee notes that the measures are identical to the measures put in place in the Annual Report of the previous performance cycle 2021/22, whereas the measures in place for 2014/15, 2016/17, 2017/18, 2018/19 (only one additional measure) and 2020/21 were identical. The Committee must impress upon the Department to carefully and closely measure whether the implementation of these listed and repeated measures will result in resolving the unauthorised and irregular expenditure carried over from previous years and whether these measures will assist in reducing and/or preventing fruitless and wasteful expenditure which is still being incurred.

Although the AGSA confirmed that the Department itself did not incur new irregular or unauthorised expenditure for the year under review, there remains a concern for the entire transport portfolio, since the transport portfolio still incurred fruitless, wasteful, unauthorised and irregular expenditure in the current period under review, there were repeat late tabling and/or failure to table Annual Reports and delays in the finalisation of audits, which indicates that the previous measures were either insufficient or ineffective or that the Department and their entities had not implemented there set measures

[69] Ibid.

[70] Department of Transport (2023), p. 33.

[71] Ibid.

[72] Department of Transport (2023), pp. 33-34.

[73] Department of Transport (2023), pp. 38-39.

appropriately throughout the transport portfolio. This concern was shared by the AGSA for the transport portfolio in their presentation to the Committee and the proposal that the Committee should continue to conduct oversight over the implementation of these measures, as well as other measures in place to address other audit findings.

Table 10: Measures put in place to prevent and/or detect irregular expenditure 2018/19, 2019/20, 2020/21, 2021/22 and 2022/23

2018/19 Annual Report	2019/20 Annual Report	2020/21 Annual Report	2021/22 Annual Report	2022/23 Annual Report
Measures listed in the 2018/19 report that were put in place to prevent and/or detect irregular expenditure are as follows: •Where appropriate, cases of irregular expenditure are referred to the Department's legal services to determine whether any official can be held liable for the irregular expenditure; •Cases of irregular expenditure are referred to the Department's Directorate: Investigations and Forensics for investigation when an investigation is required; •Relevant managers are requested to take disciplinary steps against officials who make or permits irregular expenditure; •The Bid Adjudication Committee (BAC) will not consider condoning irregular expenditure until a legal opinion has been obtained where applicable and disciplinary steps were considered; •The contract	Measures listed in the 2019/20 report that were put in place to prevent and/or detect irregular expenditure are as follows: o Where appropriate, cases of irregular expenditure are referred to the Department's legal services to determine whether any official can be held liable for the irregular expenditure; o Cases of irregular expenditure are referred to the Department's Directorate: Investigations and Forensics for investigation when an investigation is required; • Relevant managers are requested to take disciplinary steps against officials who make or permits irregular expenditure; • The BAC will not consider condoning irregular expenditure until a legal opinion has been obtained where applicable and	Measures listed in the 2020/21 report that were put in place to prevent and/or detect irregular expenditure are as follows: o Where appropriate, cases of irregular expenditure are referred to the Department's legal services to determine whether any official can be held liable for the irregular expenditure; o Cases of irregular expenditure are referred to the Department's Directorate: Investigations and Forensics for investigation when an investigation is required; • Relevant managers are requested to take disciplinary steps against officials who make or permits irregular expenditure; • NT is approached for condoning of irregular expenditure and is only approached once a legal opinion has been obtained	Measures listed in the 2021/22 report that were put in place to prevent and/or detect irregular expenditure are as follows: • Compliance checking of all requests to be routed to the BAC and/or Accounting Officer regarding procurement, including variations and deviations; • Revised and optimized procurement delegations; • Continuous review of SCM Circulars, Policies, Delegations and Processes to align with new directives issued by NT; • Regular issuing of Contract Management Register to all officials; • Extensive engagement during Procurement Planning with all branches; • Implementation of detailed checklists within the various SCM processes; • Continuous support and engagement with end-users and budget controllers; • Guidelines on bid processes issued; • Segregation of duties for approvals	Measures listed in the 2022/23 report that were put in place to prevent and/or detect irregular expenditure are as follows: • Compliance checking of all requests to be routed to BAC and/or Accounting Officer regarding procurement, including variations and deviations; • Revised and optimized procurement delegations; • Continuous review of SCM Circulars, Policies, Delegations and Processes to align with new directives issued by NT; • Regular issuing of Contract Management Register to all officials; • Extensive engagement during Procurement Planning with all branches; • Implementation of detailed checklists within the various SCM processes; • Continuous support and engagement with end-users and budget controllers; • Guidelines on bid processes issued; • Segregation of duties for approvals

management system monitors all payments against orders that are placed, and will detect payments that exceed the contract value; •The contract management system will detect any payments that are approved for processing for which no order was placed; •Payments for all procurements must be processed via SCM so that any irregular procurement can be detected before payment; •To prevent the occurrence of not completing the internal order and requisition forms, the SCM component does not make any approval documents or letters of acceptance available until the internal order and requisition forms are completed; and •Initiatives to train all officials who are involved in the approval of procurement matters will continue.	disciplinary steps were considered; • The Logis system monitors all payments against orders that are placed, and will detect payments that exceed the contract value; • The Logis system will detect any payments that are approved for processing for which no order was placed; • Payments for all procurements must be processed via SCM so that any irregular procurement can be detected before payment; • To prevent the occurrence of not completing the internal order and requisition forms, the SCM component does not make any approval documents or letters of acceptance available until the internal order and requisition forms are completed; and • *Sundry payments that could have originated via SCM are checked to*	where applicable, and disciplinary steps were considered; • The Logis system monitors all payments against orders that are placed, and will detect payments that exceed the contract value; • The Logis system will detect any payments that are approved for processing for which no order was placed; • Payments for all procurements must be processed via SCM so that any irregular procurement can be detected before payment; • To prevent the occurrence of not completing the internal order and requisition forms, the SCM component does not make any approval documents or letters of acceptance available until the internal order and requisition forms are completed;	of various processes, at different thresholds; • Development of process flow documents and standard operating procedures (SOPs) to manage SCM processes; • Continuous engagement with Internal Audit, internal Control and Risk Management to identify possible risks in view of implementing steps to prevent irregular expenditure. • Where appropriate, cases of irregular expenditure are referred to the department's legal services to determine whether any official can be held liable for the irregular expenditure. • Cases of irregular expenditure are referred to the department's Directorate: Investigations and Forensics for investigation when an investigation is required. • Relevant managers are requested to take disciplinary steps against officials who make or permits irregular expenditure. • NT is approached for condoning of irregular expenditure and is only approached once a legal opinion has been obtained where applicable, and disciplinary steps	of various processes, at different thresholds; • Development of process flow documents and SOP's to manage SCM processes; • Continuous engagement with Internal Audit, internal Control and Risk Management to identify possible risks in view of implementing steps to prevent irregular expenditure. • Where appropriate, cases of irregular expenditure are referred to the department's legal services to determine whether any official can be held liable for the irregular expenditure. • Cases of irregular expenditure are referred to the department's Directorate: Investigations and Forensics for investigation when an investigation is required. • Relevant managers are requested to take disciplinary steps against officials who make or permits irregular expenditure. • NT is approached for condoning of irregular expenditure and is only approached once a legal opinion has been obtained where applicable, and disciplinary steps were considered. • The Logis system

	confirm the procurement process that was followed.		were considered. • The Logis system monitors all payments against orders that are placed, and will detect payments that exceed the contract value. • The Logis system will detect any payments that are approved for processing for which no order was placed. • Payments for all procurements must be processed via SCM so that any irregular procurement can be detected before payment. • To prevent the occurrence of not completing the internal order and requisition forms, the SCM component does not make any approval documents or letters of acceptance available until the internal order and requisition forms are completed.	monitors all payments against orders that are placed, and will detect payments that exceed the contract value. • The Logis system will detect any payments that are approved for processing for which no order was placed. • Payments for all procurements must be processed via SCM so that any irregular procurement can be detected before payment. • To prevent the occurrence of not completing the internal order and requisition forms, the SCM component does not make any approval documents or letters of acceptance available until the internal order and requisition forms are completed.

4. OVERVIEW AND ASSESSMENT OF PROGRAMME PERFORMANCE

4.1 Summary of performance

Table 11: Overall Annual Performance Targets

Total targets set	70
Targets achieved	54/70
Targets not achieved	16/70
Success rate	77%
Total budget spent	R94.5 billion (or 99.4%)

(Source: Department of Transport (2023))

During the period under review, the Department had set itself seventy (70) annual performance targets and of these, it achieved 54. This translates into an achievement rate of 77%.[74] It spent R94.5 billion (or 99.4%) against the R95.1 billion allocated to it in 2022/23. It is worth noting that compared to the previous financial year, the Department's success rate continues to be below 90%. During that

[74] Department of Transport (2023), pp. 99-201.

period (2021/22), it achieved fifty-nine (59) annual performance targets (or 81%) against the set target of seventy-three (73) targets.[75]

The Committee is still concerned because the performance of the Department when considering the achievement of these targets did not translate into improved service delivery nor was the Department able to meet 100% of the performance targets which it set itself for the year under review.

4.2 Programme performance

4.2.1 Programme 1: Administration

Table 12: Programme 1: Administration: Annual Performance Targets

Total targets set	18
Targets achieved	13/18
Targets not achieved	5/18
Success rate	72%
Total budget spent	R473.1 million (or 91.4%)

(Source: Department of Transport (2023))

The Department had set itself eighteen (18) annual performance targets under the Administration programme, and of these, it achieved thirteen (13). This indicates a success rate of 72%.[76] It spent R473.1 million (or 91.4%) allocated to it in the Administration programme during the period under review.

The three (3) annual performance targets that the Department could not attain in the programme were the following:[77]

1) 100% responses to parliamentary questions

The Department reported that the actual performance was 15% lower than the set target during the reporting period. As a corrective measure, the Department averred that a “corrective framework with agreed standards has been developed and will be implemented in the new year”.[78]

2) 95% resolution of reported incidents of corruption

At the time of reporting, the Department asserted that “two (02) investigations [were] awaiting final investigative reports from the National Treasury”.[79] It further argued that the inability to achieve this target can be attributed to the “complexity of some investigations requiring external competencies”, for example, the NT and the law enforcement agencies.[80] However, in terms of a corrective measure, the Department stated that there was “engagement with relevant external bodies to develop service level agreements that incorporate agreed turnaround times”.[81]

3) 50% reduction of cases of wasteful and fruitless expenditure

The actual performance was “10.4% lower” than the target for the period under review. As its action plan, the Department maintained that it had established a “LCC where cases of wasteful and fruitless expenditure are reported “to consider and determine liability”.[82] It further stated that “If found in

[75] Department of Transport (2022b), pp. 100-153.

[76] Department of Transport (2022a), pp. 100-121.

[77] Ibid.

[78] Department of Transport (2023), p. 101.

[79] Department of Transport (2023), p. 106.

[80] Department of Transport (2023), p. 106.

[81] Ibid.

[82] Department of Transport (2023), pp. 115-116.

contravention of the applicable prescripts, the cost is recovered from the official [and] “if not, the cost is written off”.[83]

4) 50% reduction of cases of irregular expenditure

The Department reported that the “actual performance is 45.5% lower than the target for the period under review”.[84] It further asserted that it had established “the irregular expenditure committee” with a view to curbing irregular expenditure.[85]

5) 100% compliance with 30-day payment requirement

According to the Department, “the actual performance was 6.9% lower than the target for the period under review”.[86] As a corrective measure, it maintained that “staff in the Department have been sensitised of the importance of submitting invoices as quickly as possible”.[87] It went further by stating that “all late payments must be accompanied by a motivational letter with reasons for the late payment approved by the respective [Deputy Director-General] DDG”.[88] Finally, the Department stated that “consequence management will be effected in cases where reasons provided indicate negligence or disregard by affected officials”.[89]

4.2.2 Programme 2: Integrated transport planning

Table 13: Programme 2: Integrated Transport Planning: Annual Performance Targets

Total targets set	7
Targets achieved	6/7
Targets not achieved	1/7
Success rate	86%
Total budget spent	R78.5 million (or 84.4%)

(Source: Department of Transport (2023))

During the period under review, the Department had set itself seven (7) annual performance targets under the Integrated Transport programme, and it achieved six (6) and spent R78.5 million (or 84.4%). This indicates an achievement rate of 86%.

The one (1) annual performance target that the Department could not achieve in the Integrated Transport planning programme was the following:[90]

1) Regional Integration Strategy submitted to Cabinet

The Regional Integration Strategy was not submitted to Cabinet as targeted. The Department attributed its inability to meet the set target to “prolonged stakeholder consultations”.[91] At the time of reporting, the Department contended that the Strategy was “being processed for submission to the International Cooperation, Trade and Security Cluster”.[92]

4.2.3 Programme 3: Rail transport

Table 14: Programme 3: Rail Transport: Annual Performance Targets

[83] Ibid.

[84] Department of Transport (2023), p. 116.

[85] Ibid.

[86] Department of Transport (2023), p. 118.

[87] Department of Transport (2023), pp. 119-120.

[88] Department of Transport (2023), p. 120.

[89] Department of Transport (2023), p. 120.

[90] Department of Transport (2023), p. 130.

[91] Ibid.

[92] Department of Transport (2023), p. 131.

Total targets set	5
Targets achieved	2/5
Targets not achieved	3/5
Success rate	40%
Total budget spent	R19 971 590 billion (or 99.8%)

(Source: Department of Transport (2023))

Of the five (5) annual performance targets that the Department had set itself under the Rail Transport programme, it achieved two (2) and spent 99.8% of its budget allocation.[93] This translates into a success rate of 40%. The Department's performance regressed in this programme, compared to its performance in 2021/22. In that financial year, the Department had set itself the same number of annual performance targets as during the period under review in the Rail Transport programme, and it achieved four (4) (or 80%).[94]

The annual performance targets that the Department could not achieve in the programme were the following:[95]

1) National Rail Bill approved for submission to Cabinet

The Department gave the reason for its inability to meet the target of having the National Rail Bill approved for submission to Cabinet as the "delay experienced in the external legal vetting process".[96] As a corrective measure, the Department reported that "engagements with the Office of the State Law Adviser [were to] be fast tracked in Quarter 1 of the 2023/24 financial year".[97] It added that "the Bill will be prioritised for Cabinet submission in Quarter 2 of the 2023/24 financial year".[98]

2) PSP Framework approved by Cabinet

The PSP was not approved by Cabinet as targeted. The Department stated that it could not attain this target because "there was a need for further consideration and incorporation of stakeholder inputs into Final Draft PSP Framework".[99] As a corrective measure, the Department asserted that the "submission of the Framework to Cabinet will be prioritised in Quarter 1 of the 2023/24 financial year".[100]

3) HSR Corridor Framework approved by Cabinet

This annual target could not be attained and, according to the Department, the reason for this was the "delay experienced in the revision of the Final Draft HSR Framework".[101] It then maintained that the submission of the Framework to Cabinet will be prioritised in the First Quarter of 2023/24.[102]

4.2.4 Programme 4: Road transport

Table 15: Programme 4: Road Transport: Annual Performance Targets

Total targets set	10
Targets achieved	9/10
Targets not achieved	1/10
Success rate	90%

93 Department of Transport (2023), pp. 136-139.

94 Department of Transport (2022b), pp. 136-138.

95 Department of Transport (2023), p. 136.

96 Department of Transport (2023), p. 137.

97 Ibid.

98 Ibid.

99 Department of Transport (2023), p. 138.

100 Ibid.

101 Ibid.

102 Ibid.

Total budget spent	R59.7 billion (or 99.6%)

(Source: Department of Transport (2023))

During the reporting period, the Department had set itself ten (10) annual performance targets under the Road Transport programme, and of these, it achieved nine (9). This translates into an achievement rate of 90%.[103] The programme spent R59.7 billion (or 99.6%) of its appropriation. The performance of the Road Transport programme improved from previously when it had achieved seven (7) annual targets against ten (10) set targets.

The one performance target that the programme could not attain during the reporting period was the following:[104]

1) **Draft Road Infrastructure Funding Policy approved by Cabinet**

The Department contended that the Draft Road Infrastructure Funding Policy was not approved by Cabinet because "there was a need for further engagements with the National Treasury".[105] As a corrective measure, the Department stated that the "engagement with the National Treasury will be prioritised in Quarter 1 of the 2023/24 financial year". It also made a commitment to having the Policy submitted to Cabinet in the Second Quarter of 2023/24.[106]

4.2.5 Programme 5: Civil aviation transport

Table 16: Programme 5: Civil Aviation Transport: Annual Performance Targets

Total targets set	5
Targets achieved	4/5
Targets not achieved	1/5
Success rate	80%
Total budget spent	Approximately R14 million (97.5%)

(Source: Department of Transport (2023))

Under the Civil Aviation Transport programme, the Department had set itself five (5) annual performance targets, and it achieved four (4).[107] This represents an achievement rate of 80%. The programme spent approximately R14 million (or 97.5%) of its appropriation.

The annual performance that the Department could not attain the programme was the following:[108]

1) **Draft Aeronautical and Maritime Search and Rescue Bill approved for submission to Cabinet for public comments**

The Draft Aeronautical and Maritime Search and Rescue Bill was not submitted to Cabinet for public comments as targeted and the Department attributed this to "delays experienced in the external legal vetting process" and the socio-economic impact analysis process.[109] To remedy this, the Department undertook to "follow up on the status of the Socio-Economic Impact Analysis System certificate and the requested legal opinion in Quarter 1 of the 2023/24 financial year".[110] In addition, it asserted that the Bill will be prioritised for submission to Cabinet in the Second Quarter of 2023/24.[111]

4.2.6 Programme 6: Maritime transport

[103] Department of Transport (2023), pp. 149-157.

[104] Department of Transport (2023), p. 154.

[105] Ibid.

[106] Ibid.

[107] Department of Transport (2023), pp. 169-172.

[108] Department of Transport (2023), p. 170.

[109] Department of Transport (2023), p. 170.

[110] Ibid.

[111] Ibid.

Table 17: Programme 6: Maritime Transport: Annual Performance Targets

Total targets set	7
Targets achieved	5/7
Targets not achieved	2/7
Success rate	71%
Total budget spent	R147.3 million (or 93.1%)

(Source: Department of Transport (2023))

During the period under review, the Department had set itself seven (7) annual performance targets under the Maritime Transport programme, and it achieved five (5).[112] This translates into a success rate of 71%. The Department spent R147.3 million (or 93.1%) against R158.2 million allocated to it in the programme during the period under review.

The annual performance targets that the Department could not achieve in the Maritime Transport programme were the following:[113]

1) Model for a National Shipping Company approved for submission to Cabinet

The Model for a National Shipping Company was not approved for submission to Cabinet as targeted due to "delays experienced in finalising the [the Memorandum of Understanding] MoU and amending the Terms of Reference and Business Case to be in line with the MoU".[114] The Department asserted that the "amendment of Terms of Reference and Business Case will be completed in Quarter 1 of the 2023/24 financial year".[115] In addition, it committed to prioritising the finalisation of the model and its submission to Cabinet in the Second Quarter of 2023/24.

2) National Maritime Security Strategy submitted to Cabinet

The National Maritime Security Strategy was not submitted to Cabinet and the Department attributed this to "prolonged stakeholder engagements".[116] As a corrective measure, the Department maintained that "further consultations with the South African Navy will be fast tracked in Quarter 1 of the 2023/24 financial year" and that the Strategy will be submitted to Cabinet in the Second Quarter of 2023/24.[117]

4.2.7 Programme 7: Public transport

Table 18: Programme 7: Public Transport: Annual Performance Targets

Total targets set	18
Targets achieved	15/18
Targets not achieved	3/18
Success rate	83%
Total budget spent	R13.7 billion (or 98.2%)

(Source: Department of Transport (2023))

The Department had set itself eighteen (18) annual performance targets under the Public Transport programme in 2022/23, and it attained fifteen (15) by the end of the financial year. This indicates a success rate of 83%.[118] The Department spent R13.7 billion (or 98.2%) of the approximately R14 billion appropriated to the Public Transport programme. The programme's achievement rate regressed from that of 2021/22 when it had achieved 93% of the targets set for that reporting period.[119]

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[112] Department of Transport (2023), pp. 180-187.

[113] Department of Transport (2023), pp. 184-186.

[114] Department of Transport (2023), p. 184.

[115] Department of Transport (2023), pp. 184-185.

[116] Department of Transport (2023), p. 186.

[117] Ibid.

[118] Department of Transport (2023), pp. 192-202.

[119] Department of Transport (2022b), pp. 184-193.

The annual performance targets that were not achieved by the Department in the programme were the following:[120]

1) Draft Public Transport Subsidy Policy approved for submission to Cabinet

The Draft Public Transport Subsidy Policy was not approved for submission to Cabinet and the Department gave the reason for this as a "need for further stakeholder consultations".[121] In addition, the Department maintained that "consideration and incorporation of stakeholder inputs will be prioritised in Quarter 1 of 2023/24".[122] Finally, it undertook to have the Policy submitted to Cabinet in the Second Quarter of 2023/24.[123]

2) 3 750 old taxi vehicles scrapped

By the time of reporting, the Department had scrapped only 2 576 old taxi vehicles as the "taxi scrapping is a voluntary programme" and "the uptake for scrapping from the taxi industry was low".[124] As a corrective measure, the Department stated that it "is in the process of gazetting a cut-off date for the scrapping of OTVs and considering the inclusion of learner and Cross-border vehicles in the scrapping".[125] It believes that "the cut-off date will assist in the improvement of the scrapping uptake".[126]

3) 8 000 bicycles distributed

At the time of reporting, the Department reported that it had distributed a total 2 901 bicycles were distributed in the three provinces (Limpopo, Mpumalanga and KwaZulu-Natal) in 2022/23, as part of the *Shova Kalula* Bicycle Programme.[127] It attributed the inability to meet the set target to "delays in the finalisation of procurement of bicycles".[128] It also undertook to fast-track the distribution of the bicycles in the First and Second Quarters of 2023/24, including addressing the 2022/23 backlog.[129]

5. HUMAN RESOURCE MANAGEMENT

During the year under review, the Department had 889 posts on the approved establishment and of these, 679 had been filled. The vacancy rate stood at 23.6%.[130] The highest vacancy rate was in the Civil Aviation Transport programme that stood at 31.5%. The Rail Transport programme came second, with the vacancy rate of 30.6%. In the third place, was the Maritime Transport programme whose vacancy rate stood at 28.9%.[131]
As at 31 March 2023, the Employment Equity status of the Department was as follows:[132]

- African males (40.8%);
- African females (53.5%);
- White males (10.9%);
- White females (2.1%);

[120] Ibid.

[121] Department of Transport (2023), p. 197.

[122] Ibid.

[123] Ibid.

[124] Department of Transport (2023), p. 199.

[125] Ibid.

[126] Ibid.

[127] Department of Transport (2023), p. 201.

[128] Ibid.

[129] Department of Transport (2023), pp. 201-202.

[130] Department of Transport (2023), p. 254.

[131] Ibid.

[132] Department of Transport (2023), p. 246.

- Indian males (0.4%);
- Indian females (0.9%);
- Coloured males (0.7%);
- Coloured females (0.7%).

The Committee noted that within the Employment Equity statistics presented by the Department, there was no reference in these to persons living with disabilities.

6. SUMMARY OF 2022 REPORTING REQUESTS

During the 2022 BRRR, the Committee requested additional matters for the Department to report on. On page 233 of the annual report, the Department refers in general to the 2022 BRRR of the Committee. Unlike in 2020, the Department once again did not list these reporting requests in its Annual Report for the year under review. The Department also did not indicate how it responded to these requests in the Annual Report. The Committee noted that in the course of engagements throughout the year, the Department did address some of these issues.

The Committee is of the view that the Department and its entities must comply with the primary, as well as the additional reporting requests contained in its BRRR, and that the failure to do so will not be accepted. A number of these requests are repeated in this year's additional reporting requests due to repeat findings by the AGSA, as well as the failure of the Department and its entities to ensure that all of these were reported on and resolved within the set timeframes.

Table 19: Additional Reporting Requests from the 2022 BRRR by the Committee

Reporting matter	Action required	Timeframe
The Department should submit an improved Action Plan to address the findings of the AGSA for it and its entities, as well as the implementation of the recommendations made by the Committee in this report.	Written plan from the Department.	15 January 2023
The Department should submit a comprehensive briefing on steps it will be taking to assist in stabilising its entities (including filling of vacancies, conclusion and evaluation of shareholder agreements, improving the efficiency of the shareholder representatives on the boards, closely monitoring the implementation of projects and budget expenditure, etc.).	Monthly progress written briefings from the Department.	Monthly starting with first report due on 15 January 2023
The Department should submit a comprehensive briefing on progress made on the filling of Board vacancies in entities, as well as the filling of all critical posts within the Department and its entities.	Monthly progress written briefings from the Department.	Monthly starting with first report due on 15 January 2023
The Department should submit a comprehensive briefing on implementation of the RTRP, to justify the continuation of the programme, to indicate how it will assist with delivering on the outcomes of the Taxi Lekgotla and with specific reference as well to the progress under the programme for purposes of implementation of the recommendations from the Public Protector's Report on illegal Quantum Van conversions.	Written briefing from the Department.	15 January 2023
The Department should submit quarterly reports on investigations underway in the	Written plan from the Department.	Quarterly reports within 30 days of the adoption

Department and all the entities, with additional emphasis on the finalisation of investigations to resolve the AGSA SCM compliance concerns, lack of consequence management and resolution of past incurred irregular expenditure findings.		of this report by the NA
The Department should submit quarterly reports on pending litigation, as well as settlements reached and judgments for and against the Department and all the entities.	Written plan from the Department.	Quarterly reports within 30 days of the adoption of this report by the NA
The Department should submit quarterly reports on human resource management (retentions, secondments, transfers, retirements, training and skills transfers, resignations and dismissals), as well as report on progress in disciplinary matters (including suspensions) in the Department and all the entities.	Written plan from the Department.	Quarterly reports within 30 days of the adoption of this report by the NA
The Department should submit quarterly reports on the achievement of job creation targets in the Department and all the entities.	Written plan from the Department.	Quarterly reports within 30 days of the adoption of this report by the NA
The Department should submit quarterly reports on the achievement of transformation targets in the Department and all the entities.	Written plan from the Department.	Quarterly reports within 30 days of the adoption of this report by the NA
The Department should submit quarterly reports on the progress towards prevention of irregular, fruitless and wasteful expenditure for the Department and all the entities.	Written plan from the Department.	Quarterly reports within 30 days of the adoption of this report by the NA
The Department should submit quarterly reports on the *Shova Kalula* project.	Written plan from the Department.	Quarterly reports within 30 days of the adoption of this report by the NA
The Department should submit quarterly reports on the progress of projects linked with the following grants: PTOG PRMG PTNG RRAMS Coal Haulage Grant Disaster Management Grant	Written plan from the Department.	Quarterly reports within 30 days of the adoption of this report by the NA
The Department should submit quarterly reports on progress regarding the Moloto Corridor Project with emphasis on the Road works' progress and any future discussions on revisiting the feasibility of the Rail Programmes.	Written plan from the Department.	Quarterly reports within 30 days of the adoption of this report by the NA
The Department should submit a comprehensive briefing on the progress made to address and/or implement recommendations emanating from Committee Oversight Reports during the year.	Written briefing from the Department.	15 January 2023
The Department should submit a progress report on the finalisation of the Public	Written report from the Department.	15 January 2023

Transport Safety Plan.		
The Department should submit quarterly reports on strategies to address the financial health status of: C-BRTA RAF PRSA SANRAL PRASA SACAA ACSA ATNS	Written plans from the Department of Transport and: C-BRTA RAF PRSA SANRAL PRASA SACAA ACSA ATNS	Quarterly reports within 30 days of the adoption of this report by the NA.
The Department, together with the C-BRTA, should submit quarterly progress reports on progress regarding: The implementation of the 1996 SADC Protocol on Transport, Communications and Meteorology; The resolution of the impasse regarding the cross-border movements on the RSA/Kingdom of Lesotho route.	Written plan from the Department.	Quarterly reports within 30 days of the adoption of this report by the NA
The Department, in conjunction with PRASA, should submit a comprehensive briefing on the Werksmans contract from conclusion of the contract in 2015 to the current status of work performed by the firm and include the total expenditure to date relating to the contract in question, as well as the progress on resolving the matters raised in the report.	Written briefing from the Department.	15 January 2023
The Department, together with PRASA, should submit a comprehensive briefing on: - the new Board interventions plan it intends to implement, as well as how this will address the shortages of train sets currently online and how they intend to increase ridership; - The plan in place to ensure that PRASA complies with all RSR directives; - The plan in place to phase out manual authorisation or how they will ensure that the use of manual authorisation will not lead to another train collision or derailment; - The plan to address the concerns raised regarding the asset register as well as the safety and security on the assets, infrastructure, staff and passengers.	Written briefing from the Department.	15 January 2023
The Department, together with the DLCA, must submit a comprehensive plan on how the concerns regarding the card production machine are being addressed, as well as a report on the progress made to finalise and roll-out the proposed new card standards.	Written plan from the Department.	15 January 2023
The Department, together with SANRAL, must submit a report on the agreements entered into and deliverables in relation to	Written report from the Department.	15 January 2023

the transfer of road maintenance and further planned construction in relation to the Moloto Road Corridor with each of the relevant affected provinces and SANRAL.		
The Department, together with SANRAL, must submit a comprehensive plan on managing the fiscal constraints placed on the entity due to the e-tolling GFIP concerns raised.	Written plan from the Department.	15 January 2023
The Department, together with SACAA, must submit a report on the progress on the investigation into the aircraft crash involving the Calibration Aircraft of the entity, as well as submit the final report on this crash investigation once it is finalised.	Written progress report from the Department.	15 January 2023

7. OBSERVATIONS

7.1 Tabling and Reasons for delays or non-tabling of Annual Reports

The PRASA, RTIA, RSR and SAMSA did not submit their Annual Reports in time for consideration by the Committee. The AGSA indicated that the outstanding audits were not signed off on due to disputes between the AGSA and these entities and the fact that these disputes were not finalised prior to the adoption of this BRRR. The AGSA presented their audit reports for some entities and the Department, except for the PRASA, RTIA, RSR and SAMSA. Although there were delays in tabling the Annual Reports of the Department and the RAF, these were eventually tabled on 6 November 2023 and have therefore been included in this BRRR.
The Minister tabled the following reasons for the delay in tabling the following Annual Reports:

- Department (October 2023)
  - *The Department submitted their financial statements to the AGSA for auditing on 31 May 2023 for review. In terms of the section 40(2) of the Public Finance Management Act (PFMA), the AGSA has two months to audit and sign off on the audit report after the submission of financial statements.*
  - *The AGSA reviewed the annual report and raised audit findings. Audit findings raised were discussed at the Department's Audit Steering Committee, Executive Committee and the Audit Committee meetings. There were findings raised that the DoT agreed to and corrected on the report, however, there were contentious areas of disagreement between the AGSA and the Department that were difficult to resolve, as such required vigorous and continuous engagements and ultimately escalation to an arbiter to resolve the dispute. This has led to a delay in finalising the audit process and ultimately the annual report.*
  - *The Department and AGSA have found an amicable resolution on the areas of contention and the AGSA is now in a position to finalise the audit report. A meeting has been scheduled for 28 September 2023, in order to conclude the audit process.*
  - *Considering the dependencies in finalising the annual report, which include the proof submission to the AGSA; feedback and response to issues raised by the AGSA; sign-off and approval of the report, fifteen to twenty days will be required to finalise the process.*
  - *As required by section 65(2)(a) of the PFMA, this letter serves as notification that, the Department will not be able to table the AR by 29 September 2023 as required by section 65(1)(a) of the PFMA due to the reasons outlined above.*
  - *The Department requests an extension to the end of October 2023 based on the reasons mentioned above, however, will table as and when the process has been finalised.*
- RSR (October 2023)
  - *The AGSA informed the RSR on 31 July 2023, that the AGSA is unable to submit the audit report within the prescribed timeframe, due to complexities surrounding the consideration of a finalised National Treasury Investigation*

report that was provided to the AGSA. This report has potential implications in terms of the RSR financial statements as well as the AGSA audit opinion thereof.
    - *The RSR informed the Minister that, it is still awaiting completion of the 2022/23 regulatory audit by the AGSA and that the annual report will be submitted as soon as the AGSA completed the audit and issues in the management letter.*
    - *Parliament is notified by the Minister that she is not able to table the RSR's 2022/23 AR by 30 September 2023 as required by section 65(1)(a) of the PFMA due to the reasons outlined above. The report will be tabled as and when the audit is completed.*
- RTIA (October 2023)
    - *The RTIA is experiencing challenges in the finalisation of the 2022/23 audit. As a result of the extension of the period of the audit until 15 August 2023 by the AGSA. Also, further delays were as a result of discussions between AGSA and management around issues pertaining to Agency's assets and liabilities.*
    - *The Audit of the 2022/23 annual financial statements was not finalised, resulting in the RTIA being unable to submit the annual report and financial statements for 2022/23 to the Minister as required by section 55(1)(d) of the PFMA.*
    - *It is against this background and in line with section 65(2)(a) of the PFMA, Department request Parliament to note the late tabling of the RTIA's 2022/23 Annual Report.*
- SAMSA (October 2023)
    - *The SAMSA has experienced unforeseen challenges in the finalisation of the 2022/23 audited financial statements and annual report. This is mainly due to SAMSA experiencing a cyber-attack, on 16 April 2023, which impacted the entire Information and Communications Technology (ICT) environment.*
    - *Due to the cyber-attack the submission of the 2022/23 audited financial statements and annual report to the Executive Authority and the National Treasury will be delayed. Also, it is projected that the submission of the annual report to Parliament will also be delayed due to SAMSA and AGSA needing additional time to finalise the 2022/23 audit.*
    - *It is against this background that the Department requests Parliament to note the late tabling of the annual report.*
- PRASA (October 2023)
    - *The PRASA submitted their financial statements to the AGSA for auditing on 20 July 2023 as a result of a clean-up process undertaken to address the prior year's material findings by AGSA. The AGSA has two months to audit and sign off on the audit report after the submission of financial statements, this in this instance it would have been by 20 September 2023.*
    - *The AGSA is unable to submit the audit report within the prescribed timeframes due to complexities and the time required to perform the audit of previously disclaimed areas within the financial statements, in particular property plant and equipment (PPE).*
    - *The magnitude of PRASA's asset base and complexity thereof: taking into consideration that PPE last received an unqualified audit opinion in 2016/17 financial year, numerous material adjustments to prior period figures as well as significant impairments processed have resulted in the AGSA not having been able to complete the audit work on this significant risk area as yet.*
    - *The AGSA is still auditing the AFS of PRASA and remains committed in finalising the audit report by 20 October 2023. The DoT notified Parliament that it will not be able to table PRASA's 2022/23 AR by 30 September 2023 as required by section 65(1)(a) of the PFMA due to the reasons outlined above. The Minister will table the report as and when the audit is completed.*
- RAF (October 2023)
    - *The RAF is experiencing challenges in the finalisation of the 2022/23 audit. It has emerged during the RAF audit, certain disagreements arose between the AGSA audit team and the RAF, regarding the materiality of Procurement findings and the draft audit opinion. The RAF has duly followed the escalation*

process with regard to the audit and met with the AGSA Business Unit Leader to resolve these differences with regard to the audit.
- *Therefore, the audit of the 2022/23 annual financial statements was not finalised, resulting in the RAF being unable to submit the annual report and financial statements for 2022/23 to the Minister as required by section 55(1)(d) of the PFMA.*
- *It is against this background and in line with section 65(2)(a) of the PFMA, the Department requests Parliament to note the late tabling of the RAF's 2022/23 annual report.*

The Committee voiced its dissatisfaction with the reasons provided for the failure to table the Annual Reports of PRASA, RTIA, RSR and SAMSA – it was the fourth consecutive year that RTIA did not table their report in time for the BRRR process. The continued dispute between the RAF and the AGSA regarding the appropriate accounting standards to be applied by the entity is noted (it is also the reason why the RAF Annual Report for 2021/22 has not yet been tabled). The Committee is of the view that disputes of this nature must be expedited and that all annual reports must be submitted per the legislated timeframes regardless of disputes with the AGSA. The oversight mandate of Parliament should not be stifled by litigation processes that may take years to resolve. These oversight processes are instrumental for accountability but also to empower Parliament in its budgetary allocations and consideration on issues related to legislative reform.[133]

Although the RAF accounting standard dispute caused the entity to table their Annual Report late for three consecutive years. The Committee noted that there is a court date set for January/February 2024 for the RAF and AGSA to litigate on the accounting standards dispute, however, welcomed the indication from the Minister, as well as the RAF Board Chairperson that they will continue to pursue a resolution and settlement of the matter out of court.

The PRASA, RSR, RTIA and SAMSA 2022/23 Annual reports remained outstanding at the time of the adoption of this report by the Committee.

7.2 Opinions expressed by the AGSA: Audit Outcomes for the Transport Portfolio

7.2.1 Summary of AGSA findings for the Department specifically

The audit opinion for the Department was not changed from the previous year and it received another unqualified audit opinion with findings. The AGSA made the following findings specific to the Department: [134]

7.2.1.1 Material Misstatements

The AGSA identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of all selected programmes for audit. According to the AGSA, the management of the Department had not corrected all the misstatements and the AGSA reported material findings in this regard.[135]

7.2.1.2 Internal Control Deficiencies

The AGSA found that the review by management of the annual performance report to ensure alignment between the annual performance plan and the annual performance report was ineffective. The AGSA also found that management had not established adequate processes to consistently measure and reliably report on performance indicators. According to the AGSA, this was due to insufficient systems and processes to verify the information collected from implementers.

7.2.1.3 Investigations

[133] Parliament Legal Services Legal Opinion (Ref.no.: 69/2022): Impact on SCOPA re Non-Tabling of the Annual Report, Financial Statements and Audit Report of the Road Accident Fund.

[134] Department of Transport (2023), pp. 299-305.

[135] Department of Transport (2023), p. 303.

The Special Investigations Unit (SIU) conducted an investigation into the procurement of personal protective equipment to the taxi industry in response to the outbreak of the COVID-19 global pandemic in respect of the National State of Disaster, as declared by Government Notice No. 313 of 15 March 2020. The investigation spans primarily the period from 1 January to 23 July 2020. The investigation was concluded by the SIU on 10 December 2021. The SIU investigation concluded that the allegations of impropriety and maladministration were valid. The AGSA reported during the 2022 BRRR briefings that the Department was awaiting the outcome of the review application from the SIU. At the time of reporting for the current year under review, the Department was still disputing the report and had provided additional information on the matters raised. It had not received feedback from the SIU.[136]

7.2.2 AGSA findings for the entire Transport portfolio

The Committee noted the following views expressed by the AGSA regarding the audit outcomes of the Transport portfolio:

7.2.2.1 Overview

The overall outcomes in the transport portfolio have shown no change when compared to the first year of the term starting in 2019/20, however, regressing in the submission of financial statements by the legislated date where 93% submissions were on time in the previous year compared to 86% in the year under review. During the period under review, the C-BRTA, PRSA, RTMC and SACAA received unqualified audit opinions with no findings ("clean" audits), the Department, along with ACSA, ATNS, DLCA and SANRAL received unqualified audit opinions with findings, RAF received an adverse audit opinion with findings, with four entity audits outstanding.

On Material Irregularities (MIs), the AGSA indicated the following:

- The MI process is implemented at selected auditees audited by the AGSA that represent a significant portion of the expenditure budget and the irregular expenditure of national, provincial and local government, including state-owned entities. The selection is also focused on auditees that are key contributors to Government priorities;
- In the 2021/22 annual report audits, the MI process was implemented for ACSA, RAF, SANRAL and PRASA and for the first time in 2022/23 at the Department, SAMSA and RTIA. Out of all entities identified for assessment, only PRASA was found to have had MIs issued by the AGSA;
- The AGSA reports that at PRASA, there were eleven (11) MIs identified and out of the eleven (11), nine (9) were resolved and for two (2) appropriate actions were taken to resolve the MI. Resolved means the accounting authority have implemented all the actions that were committed to addressing the MI. These MIs will no longer be tracked by AGSA as they have been resolved. Appropriate actions taken means the MI has been investigated, the recommendations of the investigations are in the process of being implemented, any losses are in the process of being recovered, and the accounting authority is in the process of strengthening the internal controls so that the same irregularities are resolved;
- For PRASA, the AGSA reports the following regarding the status of MIs raised in 2018/19 financial year review:
    - Nine (9) MIs were identified on non-compliance which would result in potential material financial loss. No actions were taken to address 100% of matters until the AGSA issued notifications;
    - Following actions taken by the auditee, they were able to resolve and address 100% of these MIs which resulted in consequence management concluded by PRASA. Thirteen (13) responsible officials were identified and disciplinary proceedings completed, two (2) fraud/criminal investigations were instituted, two (2) stopped supplier contracts to avoid financial losses. Thirteen (13) officials were implicated in the nine (9) historical MIs (with some officials having been implicated for multiple MIs). Disciplinary proceedings have been concluded. This has resulted in two (2) dismissals, four (4) final written warnings, one (1) resignation prior to commencement

[136] Department of Transport (2023), p. 305.

  - of disciplinary processes, six (6) acquittals and one (1) instance where the sanction was two (2) months unpaid suspension, unless no consent was provided in which instance the official will be dismissed (this official was also served with a written warning on another MI);
  - Considering the internal control environment linked to these MIs, the AGSA indicated that for all historical MIs related to procurement processes, PRASA has taken the following actions to bolster the SCM environment to prevent irregularities: The SCM Policy and related SOPs were updated to ensure compliance with all aspects of key legislation. The delegation of authority was reviewed to ensure appropriate level of oversight. Internal and external bid committee training was conducted, which included the Bid Specification Committee, Bid Evaluation Committee (BEC) and the BAC. Additionally, PRASA has introduced external probity reviews of tenders above R500 million prior to award;
- For PRASA, the AGSA reports the following regarding the status of new MIs which will be reported on for the first time in 2022/23 financial year reviews:
  - One (1) MI identified on non-compliance resulting in potential material financial loss [Payments made for no value received - Isipingo Retail Development construction project];
  - One (1) MI identified on suspected fraud resulting in potential material financial loss [Suspected fraud relating to "Ghost" employees];
  - The AGSA reported that actions were already in progress to address 100% of these matters when the notifications were issued by the AGSA to PRASA. The AGSA regards these actions as being appropriate and details these as follows:
    - Isipingo Retail Development construction project:
      - Six (6) responsible officials identified, and disciplinary proceedings completed or in progress;
      - Arbitration process underway to recover the loss;
      - Four (4) of the six (6) disciplinary cases have been concluded two (2) final written warnings, one (1) resignation prior to disciplinary action and one (1) acquittal), in progress for remaining two (2) officials. Arbitration taking place from 20 October to 9 November 2023 which will determine recovery of loss;
      - In terms of internal control environment developments following the MIs linked to this project, a checklist was developed to ensure that land ownership and building plan approvals are a pre-requisite before contractors are appointed to avoid unnecessary costs. Municipal requirements with reference to construction have been clarified and will be adhered to by PRASA and enforced on all projects;
    - “Ghost” employees:
      - Physical verification of all employees concluded. Preliminary internal investigations completed. Independent forensic investigation underway. Matter to form part of anticipated new SIU proclamation. Internal control environment deficiencies in process of being addressed;
      - Independent forensic investigation underway and pending new SIU proclamation is at an advanced stage, currently at Ministerial approval level;
      - In terms of internal control environment developments following the MIs linked to this issue, actions in progress to improve the human capital internal control environment, including updated standardised forms for on- and offboarding of employees, the clean-up of the System Analysis Program (SAP) employee database, segregation of critical Human Capital related functions, multi-level approval on the SAP system, digitisation of all individual employee files and monthly payroll verification across the whole organisation. There is also an ICT project plan designed to improve ICT environment – to include complete SAP Configuration and Security Review and rectify identified vulnerabilities within SAP environment. These actions are envisioned for completion before the end of the 2023/24 financial year.

7.2.2.2 Key Messages on Service Delivery and Sector Performance

Only one audited entity, the PRSA, achieved 100% of its annual targets. The worst performer is the DLCA with only 46% annual targets achieved, followed by SANRAL with 64% annual targets achieved. This shows a continued impairment by SANRAL to achieve its annual targets when the performance is compared to the previous year. The majority of the auditees in the portfolio have been able to achieve more than 80% of their targets except for the Department, SANRAL, DLCA, and ATNS.

At SANRAL, the AGSA indicated that the following key indicators were not achieved:
- Network resurfaced km (Target – 1200km);
- Road strengthen, improved and new (Capital Expenditure) km (Target – 270km); and
- Number of community development infrastructure projects in construction and/or completed (Target – 28).

These targets were highlighted by the AGSA because the ripple effects of these failed targets are a lack of maintenance resulting in the deterioration of the existing roads which impact the economic growth of the county, as well as slow progress on projects leading to delays in implementation of road safety measures such as pedestrian bridges, access roads, etc.

At DLCA, the AGSA indicated that the following key indicators were not achieved:
- Produce driving license cards within an average of 14 working days; and
- 95% of all Live Enrolment Unit calls logged resolved within an average of 7 working days.

These targets were highlighted by the AGSA because the ripple effects of these failed targets are that the breakdown of the card production machine has resulted in delays in the production of license cards resulting in the citizens not receiving their license cards timeously. This is likely to increase the number of drivers without valid license cards on the road. It was also noted that the procurement of the new machine is still in progress.

The oversight and monitoring indicators would in most cases be achieved, but it does not necessarily result in the required corrective action needed to address negative outcomes/non-achievement of performance indicators and service delivery objectives at the Department and its entities. In some instances, resource capacity and inadequate skills compromised the quality of monitoring and oversight at programme level.

On service delivery objectives, the AGSA indicated that transport is a fundamental role player in the economic recovery plan and is an enabler of service delivery and infrastructure build, that grows the economy. The MTSF priority outcomes for the transport sector were set out to achieve the goals, as per chapter 4 of the NDP. The transport sector contributes to the realisation of the vision of improved social and economic development as articulated in the NDP, and priority 1 (economic transformation and job creation) and priority 5 (Spatial Integration, Human Settlements and Local Government) of government's 2019-2024 MTSF. These priorities are incorporated in the Strategic and Annual Performance Plans of the Department and its entities.

On the performance against MTSF targets and annual performance, the AGSA indicated that generally, they noted that the Strategic Plans and APPs are aligned with government priorities as contained in the MTSF and NDP. It was also noted that the Compliance to the user pay principle output indicator was not included in the APP, however, it was subsequently included in the 2023/24 APP of the Department. Out of 12 MTSF indicators, the Department has managed to achieve four (4) indicators, seven (7) are in progress and one (1) is currently not tracked. It is therefore not clear if the Department will be able to meet the set MTSF indicators by 2024 given that only one (1) year of administration is left. It is therefore important that the Department continue to fast-track the achievement of the remaining indicators.

This non-achievement of the MTSF indicators will result in government priorities not being met. The Department should focus on the implementation of its own plans and exercise effective oversight and monitoring of the delivery of the key indicators by the respective entities.

7.2.2.3 Root Causes, Recommendations and Commitments

Root causes of significant findings:

- The following are overall root causes for the lack of improved audit outcomes and non-achievement of service delivery objectives:
  - Poor record-keeping systems to ensure that all the reported information is supported by credible information;
  - Inadequate action plan monitoring to ensure that repeat findings are eliminated.
- The following are sector root causes for the lack of improved audit outcomes and non-achievement of service delivery objectives:
  - Inconsistent and insufficient use of need assessment and feasibility studies to plan and implement projects;
  - Weak controls to govern the approval of variations and extension of time are approved prior to effecting.
- The following are root causes identified for the Department and the RAF for the lack of improved audit outcomes and non-achievement of service delivery objectives:
  - Department: Weak internal processes, tools and systems to verify performance information implemented by other public bodies;
  - RAF: Failure to implement advice received from the Accounting Standards Board (ASB) to maintain the status quo on the recognition and measurement of claims liabilities.

Key recommendations to accounting officers and accounting authorities:

- Overall and sector recommendations:
  - Overall
    - Strengthen the internal controls to secure the supporting documents and reconcile the reported information to the evidence available;
    - Internal audit function used to review financial, performance, and compliance activities to identify errors ahead of the external audit process.
  - Sector
    - Enhance the use of feasibility studies to plan and ensure the implementation is informed by the plans;
    - Strictly utilise the conditions of the infrastructure contracts to firmly manage projects and prevent variations and delays.
- In relation to the Department:
  - Enhance the processes to verify the reported information received from third parties by utilising internal auditors to obtain assurance on the reported figures.
- In relation to the RAF:
  - Cease deviating from accounting for the Fund activities using the international prescripts as opposed to the recommendations of ASB and in line with PFMA.

7.2.2.4 Recommendations, commitments by executive authority

- Committed to ensure alignment of the Annual Performance Plans of the Department and its entities with the targets committed in the MTSF and the Performance Agreement with the President;
- Committed to Quarterly evaluation of audit improvement plans and remedial actions where progress is lacking;
- Committed to implement a War Room to drive interventions relating to road maintenance. This includes the national pothole initiative, Operation *Vala Zonke*;
- Committed to monitor progress on PRASA's historic MIs through the reporting mechanism provided for in the Shareholders' compact report.

7.2.2.5 Reflections on Implementation of Recommendations

Action plans to address audit findings are developed, but not effectively implemented and not adequately monitored. Findings raised are, in most instances, recurring findings.

The AGSA noted positive progress on the filling of vacancies at Board level and executive management, as well as DDG positions at the Department. This will go a long way towards enhancing governance, accountability and oversight in the portfolio.

7.2.2.6 Recommendations to the Portfolio Committee

The AGSA recommended the following to the Committee:

7.2.2.6.1 The Committee should receive feedback on the implementation of the action plans developed to address audit findings in the portfolio;

7.2.2.6.2 The Committee should monitor the progress of MTSF targets not yet achieved and ensure that there are adequate plans to fast-track the performance of the Department and its entities;

7.2.2.6.3 The Committee should perform regular follow-ups with the accounting officer/ authorities and monitor the development and implementation of preventative controls to deal with compliance with laws and regulations;

7.2.2.6.4 The Committee should encourage auditees to submit interim financial statements for audit so that any disagreements on the application of accounting principles can be dealt with earlier (This will reduce the number of auditees not signed due to disputes);

7.2.2.6.5 The Committee should encourage auditees to submit annual performance plans on time for proactive reviews to ensure compliance with the Revised Framework for Strategic Plans and Annual Performance Plans.

7.2.2.7 Irregular, Unauthorised, Fruitless and Wasteful Expenditure

The lack of internal controls to monitor compliance has increased irregular expenditure reported in the current year. Auditees are not proactive in addressing compliance issues through preventative controls. Slow progress on implementing recommendations has also been a contributing factor in the increase of irregular expenditure.

- Irregular expenditure
  - Total irregular expenditure is reported by the AGSA as R6 825 million, with the top contributors identified as SANRAL (R6 724 million), ACSA (R59 million) and the DLCA (R41 million);
  - For SANRAL and ACSA, there was a breach of the five pillars of procurement – equitable, fair, cost-effective, transparent and competitive;
  - SANRAL also showed non-compliance with board resolutions and the DLCA had a contract not drawn on rate bases and expenditure incurred exceeding the contract price.

- Irregular expenditure over two years
  - Top five (5) contributors (R2 981 million) to irregular expenditure not dealt with constitute 99% of R2 988 million. Top contributors coming from SANRAL 65% (R1 935 million), RAF 15% (R435 million), DLCA 10% (R303 million), ACSA 6% (R188 million) and the Department 4% (R119 million);
  - A large amount of irregular expenditure has either been condoned or removed, instead of being recovered;
  - More reliance is on condoning these non-compliances;
  - Less focus is placed on preventing non-compliance;
  - The irregular expenditure not dealt with stems from investigations not yet finalised or where the disciplinary process is still in progress.

7.2.2.8 Flood Relief Funds Expenditure and Real-time Audit

The Committee noted the progress reported by the AGSA on the real time audit of the expenditure of Flood Relief Funds as it relates to SANRAL and PRASA. The AGSA reported the following for each of these entities:

a) SANRAL
   There was severe infrastructure damage, including N2 and N3 national routes and roads in KwaZulu-Natal. SANRAL was responsible for cleaning up roads and restoring road infrastructure. SANRAL planned eight (8) projects for SANRAL roads (one (1) was completed

and five (5) commenced by 31 July 2023), as well as seventeen (17) projects for KwaZulu-Natal network roads (M4 and R102) and ten (10) commenced by July 2023.

The AGSA audited procurement and contract management, as well as project management of nineteen (19) awards. There was significant progress since January 2023 in awarding contracts and all eight (8) construction projects have commenced.

The key messages highlighted by the AGSA were that there were significant delays in projects due to slow implementation and procurement, in addition, late confirmation of budget from the KwaZulu-Natal Department of responsible for Transport for work done by SANRAL on the provincial network, which had a significant impact on collection of revenue from toll roads as well.

b) PRASA
There was severe damage caused to rail infrastructure (four (4) rail corridors and one (1) bridge), including debris, and structures that was washed onto tracks, along with: compromised rail embankments; damaged drainage systems; damaged and track formation washed away. PRASA planned to repair four (4) corridor lines and one (1) bridge, two (2) lines were restored and another two (2) lines were substantially complete. Work on the Illovo Bridge (comprising bulk of budget) did not commence as it needs to be demolished and rebuilt.

The AGSA indicated that they audited procurement and payments to date and assessed adequacy of preventative controls to facilitate delivery of infrastructure at desired quality, time and budget. The AGSA selected two (2) projects: Umlazi to Reunion line recovery and repairs to Illovo bridge.

The key messages highlighted by the AGSA were that train services were restored from Reunion station to Umlazi, although not yet at full capacity, with a revised completion date of 31 October 2023. There were no significant concerns noted during site visits, with construction work being of good quality and appropriate project monitoring taking place. AGSA indicated that procurement processes were currently underway for rebuilding Illovo bridge as the geotechnical assessment determined that existing infrastructure would have to be demolished. Diesel locomotives were leased to transport passengers in areas where electrical OHTE was damaged and to haul material trains over network for infrastructure rehabilitation. The AGSA indicated that a contract was found to be irregular and consequence management is in progress.

The overall key messages on the flood relief fund projects as identified by the AGSA were:

- April 2022 floods, which had a devastating impact on lives and property, exposed gaps in government's preparedness, coordination and oversight measures as identified during real-time audits of flood relief initiatives across the transport portfolio;
- AGSA remains concerned about slow response to disaster, however, AGSA noted traction in spending on long-term infrastructure repairs and particularly on road and rail repairs by entities in transport portfolio;
- Identified deficiencies mainly caused by disruptions by business forums, and inadequate intergovernmental coordination remained prevalent.

The key recommendations given by the AGSA on the flood relief fund projects are:

- Enhancing the frequency of engagements with SANRAL to provide regular updates on the progress made on the implementation of the flood relief projects. These engagements should include clear accountability processes for the slow progress to fast-track the implementation of these projects;
- Obtaining regular updates from PRASA as to the status of the process to rebuild the Illovo bridge.

7.3 Committee Observations following the engagement with the AGSA

The AGSA indicated that the transport portfolio had not shown an improvement in performance. The C-BRTA receiving its eighth unqualified opinion with no material findings, the DLCA regressing to an unqualified opinion with findings, PRSA with a second consecutive year of an unqualified audit opinion with no material findings and SACAA with its tenth unqualified opinion with no material findings in the past eleven years. The Department, for the seventh year, received an unqualified opinion with findings, which also contained a number of repeat findings, however, noted it was the first time the Department failed to table their Annual Report on time. Although RAF tabled their Annual Report late, the AGSA indicated that their audit outcome for this year improved to an adverse opinion with findings when compared to the previous year when they received a disclaimer with findings; despite the fact that the RAF Annual Report audit was finalised, it was tabled late and the continued dispute from the previous financial year remains unresolved which is also why the Annual Report of 2021/22 has still not been tabled before the Committee.

The Department and its entities received the following findings:

- *Unqualified audit with no material findings (also referred to as a Clean Audit)* – C-BRTA, SACAA, RTMC and PRSA;
- *Unqualified with findings* – the Department, ACSA, DLCA, SANRAL and ATNS;
- *Adverse with findings* – RAF;
- *Failure to submit and findings still outstanding* – RTIA, PRASA, RSR and SAMSA.

The Committee was pleased to note that the C-BRTA had continued to retain its unqualified audits with no material findings (clean audit), despite the challenges it faces. The most significant of the challenges that remain is the one around the unsustainable funding regime of the entity, border crossing backlogs and that the impasse on the issuance of passenger permits for the RSA/ Kingdom of Lesotho route remains unresolved.

The Committee welcomed the second year of unqualified audit outcome with no material findings (clean audit) from RTMC; this showed that the entity has improved from the audit outcome from two (2) years ago.

The Committee expressed concern over the failure to submit Annual Reports from RTIA, SAMSA, PRASA and the RSR in time for the current BRRR process.

Although the achievement of prerequisite performance targets is to be applauded, the Committee was of the view that there remained insufficient linkages between the meeting of targets and an actual or tangible improvement in service delivery standards to all transport stakeholders. It was also important to note that the AGSA still did not audit the same number of outcomes per auditee, as in the years preceding the 2019/20 financial year. For this reason, the Committee continues to urge that the Department and its entities move towards the development of key performance targets that would have tangible and measurable results that show actual and/or improved service delivery to all transport stakeholders. Along with setting these targets, the Department and entities must ensure that they are able to track the performance of these targets with quality verified evidence. These were also aspects raised by the AGSA in its presentation to the Committee.

The Committee, having noted that a number of repeat findings are made by the AGSA for the transport portfolio, was eager to hear from the AGSA on what powers the AGSA had to assist in preventing non-compliance by auditees who fail to submit financial statements on time for the audit process, who fail to implement sufficient consequence management to address past material audit findings, and how the AGSA works with the Department and its entities to improve on the relationship with the AGSA to reduce the apparent increase in disputes with the AGSA and transport entities.

It was noted that SANRAL received its 20th unqualified audit opinion with emphasis of matter – this may require a new approach to the plans they put in place to adequately address the audit findings, greater emphasis on consequence management and compliance with SCM prescripts and an urgent need to finalise the GFIP funding model concerns.

PRSA is applauded as the only entity of the Department that managed to achieve all of its performance targets for the financial year under review. The regression by SACAA to achieve all of their annual targets, which previously had several years of meeting 100% of their targets is a concern. The Committee noted the commitment by the executive and board of the entity to ensure they improve on this for the current financial year.

For the seventh consecutive year, the Committee notes a failure by the Department to ensure that all of its entities table their Annual Reports on time and that the Committee was once more unable to engage and perform its oversight function fully over those entities that had failed to table within the BRRR process. Although the Annual Reports of these entities could not be engaged on, the Committee noted the reasons provided by the AGSA and the Minister on the delays in the finalisation or late tabling.

Although the Committee received the SASAR/NSRI Annual Report (the copy tabled only reflected every second page and was not the full report), these are not generally audited as separate entities or regarded as entities of the Department as their expenditure and funding is regarded as a line item under the Department's budget that is audited as part of the Department's Annual Financial Statements.

Once more, the top areas of material non-compliance remain the failure to prevent unauthorised, irregular and fruitless and wasteful expenditure, lack of consequence management, non-compliance with legislation and regulations when it comes to procurement and contract management, as well as material misstatements to financial statements submitted for audit. For the first time in several audited year, the concerns over stability in leadership within the entities was not a root cause for audit findings. Although this is a welcomed improvement, there are still a number of entities that do have board vacancies and senior management vacancies. The Committee will continue to require regular reports from the Department on the progress in filling vacancies in the portfolio. The key root causes identified by the AGSA were that management had not implemented adequate review and monitoring controls over the preparation of financial statements, management had not implemented adequate controls to prevent non-compliance with procurement legislation and management had not been effective in developing and monitoring the implementation of action plans to address audit findings.

From the presentations and engagements, the Committee noted those areas where improvements were evident, however, concluded that the Department and its entities had not been able to clear repeat findings through implementing all recommendations and corrective measures proposed by the AGSA and those that the Committee has made since the start of the current term.

The Department must focus more attention on ensuring that action plans are implemented to address prior year audit findings and that sustainable solutions are implemented to prevent a recurrence of findings in the areas of compliance with key applicable legislation and financial reporting. There is also a need to implement consequence management, especially around SCM and greater implementation of disciplined financial reporting structures based on solid accounting and financial management knowledge.

The Committee noted that during the year under review, the Department reported[137] that it made use of one (1) individual consultant (the same as the previous reporting year) over one (1) project (the same as the previous reporting year), for a total of 365 working days (reduced from 1 095 in the previous reporting year) at a total cost of R4.5 million (increased from R4.3 million in the previous reporting year). The Department listed the project title for the use of this consultant services as to Advise the Regulating Committee in the issuance of 2023/24 – 2027/28 permissions to levy Airports and Air Traffic services charges for ACSA and ATNS for the period of twelve months (in the previous reporting year it was for the Freight Transport model: Passenger Demand Model). What the Department failed to report on was whether these agreements included the requirement to ensure that skills transfer to Department or entity staff were delivered during the contract with the consultant. The Committee remains of the view that the Department should work towards refraining from the use of consultants.

The accountability for Government spending at State-Owned Entities (SOEs) continues to be an area receiving attention from the AGSA and NT (following the 2012 Presidential Review Commission (PRC) on SOCs), as Government funds and guarantees are being used to sustain some of the SOEs.[138] The audit outcomes of SOEs continued to regress – most often as a result of inadequate controls, monitoring and oversight. Instability at Board and executive level played a role in the outcomes of SOEs, and the Department and its entities were not spared this. The level of oversight by

[137] Department (2023) p 282.

[138] National Treasury: Presentation to Standing Committee on Public Accounts – Briefing on State-Owned Company (SOC) bailouts and government guarantees (14 March 2023).

the Department over the entities reporting to it remains a concern for the Committee and the Public Entity Oversight branch within the Department must improve its work towards achieving a greater level of oversight over its entities and ensure measures are in place to verify information received from entities that are linked to targets of the Department.

The Committee noted the progress reported by the AGSA on the resolution and active progress towards the resolution of all past and current MIs identified at PRASA since 2018/19 reporting period to date. The Committee also noted that the AGSA indicated that for the 2021/22 reporting year, ACSA, RAF, SANRAL and PRASA were selected for MI implementation in the transport portfolio and for the 2022/23 reporting year, the Department, SAMSA and RTIA were phased in for MI implementation. The Committee welcomes the report from the AGSA indicating that after their assessments, only PRASA was found to have MIs and in the latest reporting year (2022/23) the entity had already started to implement steps to deal with these matters before the AGSA issued notices linked thereto (as indicated above).

The AGSA recommended that adequate in-year monitoring on the MIs is needed and there must be consideration of whether the accounting authority has taken the appropriate action. Although the Committee welcomes the efforts by the AGSA to direct the Department to resolve these MIs within the entities' reported annual financial statements, it has not seen the impact of the efforts from the last four year's interventions on PRASA to reduce instances of SCM non-compliance, as is evident from the previous year's audit results.

It cannot be stressed enough that the strategic targets and key performance areas set by the Department, its entities and implementers or recipients of all grants allocated under the Transport Vote must be linked to actual tangible service delivery to the citizens of the country. The Committee, in its oversight over the Department, has continued to request the Minister to ensure that proper monitoring and oversight is performed over all grant allocation projects in order to see to it that the actual performance targets achieved through transfers translate into actual service delivery on the ground and value for money. This is especially evident based on the feedback from the AGSA regarding the Public Transport Network Grant (PTNG), Public Transport Operations Grant (PTOG), Rural Road Asset Management System Grant (RRAMS) and Provincial Roads Maintenance Grant (PRMG) fund use and the need for the Department to enhance the internal monitoring mechanisms to ensure strict adherence to the grant conditions, and that any control deficiencies around compliance monitoring are addressed expediently. Given that the Department targets predominantly rely on the performance of third parties, it must also improve on the processes implemented to verify third party information which serves as evidence of its performance of these targets. The Department must also ensure that consequence management is in place to ensure that officials responsible for the verification of third-party information do not fail in their duties.

The irregular expenditure does not necessarily represent wastage or means that fraud was committed – this needs to be confirmed through investigations to be conducted by the accounting officer (also referred to as the CEO) or accounting authority (Board) – but losses could already have arisen or may still arise if follow-up investigations are not concluded timeously or initiated. It is difficult to remedy SCM inefficiencies when a thorough investigation has not been completed to assist in identifying the weaknesses and inefficiencies in the system. The track record of auditees in dealing with irregular expenditure and ensuring that there is accountability or that investigations are finalised timeously remains poor. Irregular expenditure still occurs, and it can be attributed overall to continued weaknesses in the SCM directorates in the application of SCM policy and compliance with NT Regulations in this regard. The most common findings for the past nine years related to deviations from the prescribed procurement processes. The Committee did note that the deviations by some of the entities were linked to emergency procurement required to address the urgent repairs to flood damaged road infrastructure or assistance that was to be provided during these times to ensure additional traffic law enforcement. Having noted this, the entities and the Department must ensure that they have the required internal procurement policies in place to deal with emergency procurement or deviations as allowed in the PFMA.

More frustrating is that the Committee and its predecessors recommended the need for the Department and its entities to ensure further and continued training of SCM staff in order to reduce adverse findings linked to non-compliance with procurement policy and/or procedures. The Committee remains resolute that there is a need for the entire transport portfolio to strengthen its

SCM staff through training and equipping them sufficiently, as well as implementing SCM Policy reviews to strengthen the internal SCM compliance further. The entities must comply with all of their SCM policy requirements and tender requirements, since the failure to do this resulted in findings against entities, with several entities this year having been found to have used uncompetitive and unfair procurement processes, such as SANRAL, RAF, C-BRTA, RTMC, DLCA, ACSA, ATNS and even the Department. There is also a need to ensure that uncertainty in interpretation of terms linked to SCM, B-BBEE compliance and audit standards used are resolved between the AGSA and the entities to prevent future audit outcome delays or adverse findings due to differences in interpretation.

The Committee continues to impress upon the Department and its entities that all investigations must be finalised within a reasonable timeframe, and that all contraventions of legislation and regulations must be acted upon through disciplinary action. In instances where employees may have resigned, the Committee persists in its view that the Department and its entities must not stop there, but should continue with steps to retrieve losses from those employees and, where appropriate, follow the procedures laid out in the PFMA for possible criminal prosecution.

The Preferential Procurement Regulations make provision for the promotion of local production and content. These regulations are aimed at supporting socio-economic transformation. The Committee, during engagements, continues to impress the need upon the Department and its entities to achieve transformation targets within the establishments themselves, as well as in their respective industries. The continued drive towards ensuring that local communities residing near project sites of entities benefit from these projects or services delivered by the entities will be monitored. The Committee also continues to highlight the need for the Department, as well as its entities, to adhere to the Preferential Procurement Regulations throughout their engagements, as well as working towards the achievement of increased local content and radical economic transformation in their respective fields of operation. There is also a dire need for the Department and its entities to ensure that the processing and payment of invoices are done within the set timeframe of 30 days as the delays in processing these payments often will result in the economic failure of SMMEs.

7.4 Committee Observations with specific reference to entities

The following extracts show concerns noted from the Annual Reports and observations that were made:

7.4.1 ACSA

The overall audit outcome of ACSA has remained stagnant compared to the prior years. The entity received an unqualified audit opinion with material findings. The entity achieved 82% of its annual targets for the year under review. The accolades and awards received by ACSA for a number of the airports it manages are applauded.

ACSA still remains one of the largest contributors to irregular expenditure. The Committee noted that the entity had shown some progress on expenditure management as it had implemented detective controls to both identify and disclose unauthorised, irregular and fruitless and wasteful expenditure in its financial statements.

The COVID-19 pandemic and the lockdown restrictions instituted by Government continues to pose sustainability and going concern risks for the auditees in the portfolio. The revenue generation of self-sustaining entities such as ACSA remains severely disrupted, especially in the ability of the entity to recover debt from tenants who were offered reprieves during the pandemic or who have since gone out of business, but also in the withdrawal of two (2) low cost domestic airlines (Kulula and Mango) leading in a loss of revenue from the domestic flight market; however, improvements were noted in passenger numbers for local and domestic flights and flight frequencies which will aid in returning the entity to pre-COVID revenue numbers. By 31 March 2022, passenger throughput had reached 50% of pre-COVID-19 levels and by 31 March 2023, the network as a whole had reached 76% of its pre-pandemic throughput.

The entity still received a finding linked to compliance with legislation as it was still unable to prevent irregular expenditure. Once more, the audit report indicated that effective and appropriate steps had not been taken to prevent irregular expenditure, as disclosed in note G.13 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. R59.1 million irregular expenditure incurred in the financial year under review (FY2021/22: R36.7 million). Historical expenditure of R130 million was removed by the Board, R124 million was de-recognised. The cumulative irregular expenditure balance at 31 March 2023 was R285 million (2022: R442 million). The cumulative fruitless and wasteful expenditure balance at 31 March 2023 was R13.4 million (2022: R9.1 million). The irregular expenditure incidents relate to contravention of the SCM policy and the Preferential Procurement Policy Framework Act and regulations. Management has controls in place to monitor and report on this type of expenditure on a regular basis. This information is considered and presented to the Executive Committee (EXCO) and the Audit and Risk Committee for review on a quarterly basis.

The Committee noted that the entity had still been unable to take effective and appropriate steps to prevent irregular and fruitless and wasteful expenditure. The accounting officer should capacitate the entity with skilled staff who are well-versed in SCM processes and legislative prescripts, as well as implement enhanced preventative controls to ensure these types of expenditure are not incurred going forward.

ACSA saw improvement in the financial performance of the Group, with positive cash generated from operations due to the increase in air traffic movements and passenger numbers. Its liquidity has been further supported by a successful R1.7 billion bond issue in the Third Quarter of the 2022/23 financial year. This is an indication that investors have confidence in the Group and recognise the progress made on its Recover and Sustain Strategy. Its loan covenant ratios are within the required thresholds for the first time in three periods.

At ACSA, revenue increased by 55% to R6 billion (compared to 2021/22: R3.9 billion) during the reporting period, largely due to the increase in air traffic movement, the recovery in passenger numbers and the implementation of the approved 3.1% tariff increase for the year. This nevertheless remains well below the revenue of R7 billion reported in the 2019/20 financial year, prior to the onset of the COVID-19 pandemic. Earnings did, however, improve for the second year in a row and ACSA reported an earnings before interest, tax, depreciation, and amortisation (EBITDA), of R2.0 billion (compared to 2021/22: R342 million).

Aeronautical revenue, which is derived from regulated charges or tariffs related to aircraft landing and passenger service charges, improved by 64% to R3 billion (compared to 2021/22: R1.8 billion), while non-aeronautical revenue, which is derived from commercial activities at its airports, increased by 46% to R3.1 billion (compared to 2021/22: R2.1 billion). As in the previous period, there were some cost savings due to curtailed operations. An unexpected COVID-19 related negative impact on its financial performance was with respect to value of its investment properties decrease to R7.7 billion (compared to 2021/22: R7.9 billion) due to fair value loss. This reflects harder trading conditions, slow recovery of the commercial property market, increasing capitalisation rates and sub-optimal leasing regime. Alternative models in its commercial property business are now being pursued to match current favourable market conditions.

The Committee noted the core strategies and plans had to be reviewed and adjusted in response to the pandemic. ACSA continued to implement the Recover and Sustain Strategy; Finalised the Growth Strategy with focus on Passenger Mobilisation, Aerotropolis Cargo, Global, Ground Handling and Fuel Strategies.

The Committee noted the management action plans to address the audit concerns in the SCM of the entity, however, expresses a word of caution that the entity must ensure that its re-building of capacity and skills lost during the year under review due to resignations and staff reduction initiatives must not lose sight of the fact that the entity has struggled with SCM compliance for consecutive years and this must be remedied in order to improve future audit outcomes and eliminate irregular, fruitless and wasteful expenditure by the entity.

The entity will need to report back to the Committee on the deployment of the new parking management system, ongoing projects to upgrade the operating systems and airport upgrades and/or expansion projects, review of its security policies and processes, progress made on the action plans to address the audit outcomes, transformation strategies for the industry with specific reference to the ground handling and baggage handling services historically operated by international companies that were awarded these contracts years ago, resolution of jet fuel supply issues at all airports, resolution of alternative power source installations and water saving systems or alternative water supply solutions for all airports to prevent the impact of load-shedding or water shortages on airport operations and improved working relationships with officials from departments responsible for the processing of international passengers on arrival.

7.4.2 SACAA

The entity regressed in the year under review to meeting 96% of its annual targets, however, the Committee noted the steps reported to having already been taken to address this under-achievement. The Committee was also pleased that the entity had achieved another unqualified audit with no material findings.

Over and above achieving an unqualified audit outcome in the 2022/23 financial year-end audit by AGSA, the SACAA once more recorded zero fruitless and wasteful expenditure during the reporting period. All undisputed invoices received by the Finance department of the entity were paid within thirty (30) days, as required. The Committee did note the regression in that the entity recorded one incident of irregular expenditure of R254 000 (linked to non-compliance with SCM policies, procedures and prescripts) in the year under review and that although an investigation of this has been concluded, the report was yet to be submitted to management by the internal audit division at the end of the 2022/23 financial year. This failure to meet its target of achieving no irregular expenditure for the year under review is what led to the failure to meet 100% of its targets.

The SACAA is a self-funded public entity that relies on a combination of revenue streams to fulfil its mandate and run its business operations. The total revenue of R885.6 million for the year under review increased by 14.2% compared to 2021/22. It is 2.5% higher than budgeted for the financial year under review, largely due to higher-than-expected passenger numbers during the financial year. Income from passenger safety charges increased by R157.7 million or 52.9%, compared to the previous financial year, due to higher passenger numbers, and user fees increased by R24.8 million or 22%. Income from the fuel levy decreased slightly by 8.5%, as more air cargo was routed through the cargo holds of increasing scheduled passenger flights. Financial support from the Department decreased from R277.6 million in the previous financial year to R187.9 million in the year under review.

It is commendable that the country still reflects a salutary zero fatal accident rate in the scheduled airline sector, as it has for over 30 years. As reported last year, the Minister of Transport instructed the SACAA and the industry to reduce the number of accidents in the general aviation sector by 50% by the end of the current strategic cycle. This target supports the Regulator's target of reducing the fatal accidents by 50% in the same period. The Regulator is reporting positive results on both fronts as the number of accidents decreased by 15% and the fatal accidents decreased by 25% during the reporting period. Furthermore, the recent preliminary results from the Universal Safety Oversight Audit Programme – Continuous Monitoring Approach (USOAP-CMA) safety audit conducted by ICAO revealed that South Africa has increased its Effective Implementation (EI) level to around 92%, thereby exceeding the five-year target set by the SACAA of improving the State's EI to 90% by 2025. These results are very encouraging and should motivate SACAA to continue in its mission of improving oversight, in fulfilment of the SACAA mandate, as enunciated under the Civil Aviation Act. It is therefore clear that the SACAA is continuing to implement a five-year General Aviation Safety Strategy (GASS), which involves multi-stakeholders. Solutions for decreasing aviation accidents include the analysis of the causal factors highlighted in the accident investigation reports conducted by the AIID.

The 2022/23 financial year was a busy year for the SACAA, having gone through two major international safety and security audits by ICAO and finalising a safety assessment by the Federal Aviation Administration (FAA), which had started in 2021. Not only did the State excel in the safety audits, but the State also did not attract any Significant Safety or Security Concerns in both audits and went on to retain the Category 1 status in the FAA assessment.

On 23 January 2022, the final report of the Ethiopian Aircraft Accident Investigation Bureau (AAIB) that looked at the aircraft accident of the SACAA's calibration aircraft that occurred on 23 January 2020 was released, as required by Annex 13 of the Chicago Convention. SACAA is currently dealing with a matter relating to a claim for loss of support and damages against it following the accident described above that resulted in the untimely passing on of three of its employees. The claim is for a total amount of R19 100 000. SACAA is defending this matter through its insurers. The matter is still at the exchange of pleadings stage and SACAA has lodged an exception application against the contents of the plea. The Committee did note that the AGSA raised an emphasis of matter on this specific contingent liability. The Committee noted that the final accident report was presented by the Department during its meeting of 8 March 2022, although it could not engage thoroughly with the report due to the indication at the time that SACAA was appealing to the Minister to re-open the investigation as the entity contested the findings of the final report.

In the reporting period, the SACAA had implemented year two of the Transformation Plan, which was planned to be rolled out over a three-year period. This plan includes the implementation of a women empowerment programme, a trainee programme, implementation of enterprise development, as well as the socio-economic development programme. The SACAA's racial profile continues to reflect the demographics of the country and this is an indication that the organisation is truly transformed, with 89% of the employees being black and 11% white. The structure also showcases gender equality, with 51% of the staff being female and 49% male. There is a 50% female representation within the Executive, while 91% of the 11 members serving in the Executive are black. The aviation industry still has some catching up to do in terms of racial transformation and gender equality. For example, as of 31 March 2023, the licensing statistics indicated that female pilots' licences in all categories stood at 883 African, 94 Coloured, 75 Indian and 1 066 White. Regarding male pilots' licences in all categories, 1 740 were African, 377 Coloured, 392 Indian and 12 720 White.

The Committee remained concerned about a spike in reported aviation incidents in the current financial year and requested that SACAA ensure that all incident investigations be finalised and that the required remedial measures be put in place for the industry in order to reduce these numbers. There is still a concern that the aviation industry is lacking in transforming the industry to reflect the demographics of the country. There are also concerns linked to these targets and the ability to translate training of previously disadvantaged persons into actual employment within the aviation industry. The entity should also work on improving its stakeholder relations in order to improve on the oversight it does over the aviation industry.

Concerns were also raised regarding the downgrades of flight approved procedures at some airports, especially at smaller airports and the entity was urged to resolve this matter with ATNS and ACSA in order to ensure aircraft can land safely in adverse weather conditions. There were also concerns raised regarding reported incidents of jet fuel contamination and regulation of aircraft and flight incidents linked to the South African Police Service and the National Airforce.

The Committee was also of the view that there is a need for a collective approach to popularise the aviation industry as a space within which students may find a career – not only will this assist in improving on transformation targets, but it will also assist in creating job opportunities in an internationally accepted industry.

The Committee noted that there were vacancies in the Board during the year under review which limited membership to committees, however, welcomed the report that out of the three (3) vacancies, two (2) were filled by 23 June 2023.

The Committee remains of the view that SACAA should ensure that it procures the use of a South African owned calibration aircraft urgently to ensure the continued operations at airports across the country.

7.4.3 PRSA

The PRSA retained its audit outcome of an unqualified audit with no material findings and was applauded as the only entity to achieve all of its annual targets for the year under review.

The multi-year-tariff methodology valid for the 2021/22 – 2023/24 tariff period had reached the end of its applicability. The Regulator had the opportunity to engage port users, stakeholders and interested parties in revising the tariff methodology for the period 2024/25 – 2026/27. The methodology is used to assess and determine revenues allowed for the National Ports Authority (NPA) and resultant port tariffs. This was the fourth (4th) review of the methodology since it was developed in 2015/16. Reviews of the multiyear tariff methodology continue to contribute immensely to regulatory certainty, transparency of the process and consistency in the tariff-setting process. The methodology has allowed significant smoothing of the NPA's return and allowed the Regulator to establish a lower tariff trajectory, whilst still ensuring the profitability of the NPA.

Having provided support to the Department's Interim Economic Regulator for Rail, and with growing sophistication in regulatory processes and expertise, the PRSA poised to serve as the touted nucleus of the Single Transport Economic Regulator (STER), and all human resources and financial resources should be availed for the success of STER. The implementation of the STER is critical in enabling competitiveness of the transport sector and levelling the playing field for private sector participation. Various research projects have continued to be undertaken to gain insights into and understand economic regulation imperatives in the broader transport sector in preparation for the Regulator's role in the STER, as envisaged in the Transport Economic Regulator Bill currently before Parliament.

The PRSA's organogram comprises a permanent staff complement of twenty-seven (27) and by end of the 2022/23 financial year, there were two vacancies. The PRSA continues to ameliorate the challenge of functionaries in Corporate Services playing multiple roles through the Board approved contracts additional to the establishment. These are in the SCM and IT departments. The Department is considering and processing the proposed expanded structure.

In line with Section 42 of the National Ports Act (No. 12 of 2005), the Ports Regulator is funded mainly through allocations from the fiscus; interest earned on investments, and fees paid by port users and affected parties in lodging an appeal or complaint against the NPA. For the 2022/23 financial year, the Regulator received a baseline allocation of R 42 995 000.00 with indicative allocations of (R 42 564 000, R 44 476 000, R 46 469 000, R 48 607 000) for the MTEF. Sixty six percent (66.17%) of the Regulator's budget is allocated for the CoE. The changes that were made to the remuneration structure will see this increasing in the 2023/24 financial year. Under the current economic and fiscal conditions characterised by low economic growth, the holding strategy remains for the Regulator to be allowed to retain its baseline allocation and approval of the use of retained surpluses which can be used to source temporary human capacity as a non-permanent expenditure. Even with the retention of surplus, without an increase in the baseline allocation, the economic viability of the Regulator remains especially concerning its current mandate and in the context of the Regulator being a "nucleus" to the STER.

As an entity which has had consistent quality audit outcomes and high annual target achievement for several years, the Committee was of the view that other entities in the transport portfolio could learn from the best auditing practices applied by the entity. The Committee remains of the view that there is a need for the country to have tariff pricing that would put the country on a more equal competitive footing with worldwide port tariffs. The Committee also noted the continued dependence of the Regulator on the finalisation of the ERT Bill which has been delayed for a number of years, but which is currently before the NCOP. Until such time as the ERT Bill is finalised and promulgated, the Committee urged the Department to work with the PRSA to finalise the organogram sent to the Department by the entity, as this will ensure the entity is sufficiently resourced with the required staff to perform its functions and prepare the entity for the moment when the ERT Bill is promulgated to prevent delays in establishing the Transport Regulating Entity. The Committee also raised a concern regarding the real possibility that NT may not continue approving condonation applications from the entity to use its surplus funds.

7.4.4 C-BRTA

The C-BRTA continues with its exemplar audit outcome of an unqualified audit with no material findings. For the year under review, C-BRTA met 88.89% of its annual targets.

The Agency further continued the work of the Joint National Ministerial Task Team of the Mountain Kingdom of Lesotho and the Republic of South Africa towards the resolution of the passenger impasse in the RSA/Kingdom of Lesotho corridor. Work continues to be ongoing to conclude a road transport bilateral agreement between the two countries in order to introduce regulated competition in respect of cross-border passenger road transport and reduce operational constraint for cross border road transport as whole.

Along with its extensive stakeholder engagements for the year under review, the Agency engaged a number of countries in the region to explore the expansion of the C-BRTA's Cross-Easy Permit Application System to these countries. This is important because it will move the region forward - towards the attainment of a harmonisation permit system across the region. We will continue with these engagements until this objective is realised.

The C-BRTA still has the same challenge as in the previous year, linked to the lack of technical expertise in relation to the passenger cross border road transport experts as per requirement in Section 5 of the C-BRT Act (No. 4 of 1998). To close this gap, the C-BRTA was hopeful and confident that the Minister will fill the two vacant positions of two members to the Board with road transport experience. The Committee did note and welcome that the Minister filled the Board Chairperson position, and that the CEO position of the entity was also filled as recommended by the Committee in the previous BRRR. The Committee continues to insist that the Minister ensure that remaining Board vacancies are filled urgently, which, in turn, should allow the Boards to ensure that all remaining management vacancies are filled within the C-BRTA and all other entities.

The long-term focus for the Agency, amongst others, is to implement the following:
• Developing close partnerships with the African Continent Free Trade Area in pursuit of the common objective of improved trade in Africa.
• The cross-border charges on foreign vehicles to create a fair and level operating environment for all cross-border operators.

The C-BRTA is a self-funding entity with permit tariff fees levied to South African cross- border operators being its primary source of income. Permit revenue as at March 2023 was R228.943 million (R199.951 million prior-year to date and R8.246 million above the budgeted year to date). The increase was due to cross-border operations being fully operational in the period compared to the same period prior-year to date. The Agency's expenditure as at end-March 2023 was R291.727 million. The main revenue stream of the C-BRTA remains the cross-border permit fees levied to commercial cross-border operators. The surplus for the financial year ended 31 March 2023 was R41.715 million, which was mainly due to cost containment measures that remained in place as well as some projects that are implemented internally and are no longer being outsourced. During the 2022/23 financial year, the Agency recorded a surplus of R41.715 million. The Agency had no funds that were rolled over in the period under review. A request to roll-over the funds was submitted to NT by the end of September 2023.

A review of the organisation structure was finalised in the financial year with accelerated recruitment of critical funded positions to enhance service delivery.

The Committee noted and welcomed the Cross-Easy system implemented by the C-BRTA to ease congestion due to permit applications or verification of permits. Further to this, the work done by the entity along with the Border Management Authority was noted by the Committee as this will go a long way towards alleviating congestion at border crossings and improving scanning equipment at border crossings to reduce or eliminate illegal crossings or movement of undeclared freight.

The Committee noted the case of irregular expenditure identified from the previous year, and indicated that the entity should work to clear the case of irregular expenditure identified. The Committee noted that the Agency continues to seek a lasting solution to the RSA/Kingdom of Lesotho impasse. The Committee further noted that the Agency's financial sustainability remains a key challenge, as the Agency funds its operations through one primary stream being revenue generated from issuance of permits to South African operators and other proposed revenue streams have not yet been approved. The Committee notes the proposals made by the C-BRTA regarding challenges with ensuring parity in cross-border charges for vehicles implemented in Southern African Development Community (SADC) countries, as well as proposals to require 3rd party insurance for all vehicles entering South Africa to reduce reliance on RAF claims.

7.4.5 RAF
It was noted that RAF and the AGSA were still in a dispute related to the new accounting policy used and accounting standards applied by the entity for the reporting years of 2020/21, 2021/22 and current audit for 2022/23. Although the entity tabled their 2020/21 Annual Report and the current

2022/23 Annual Report, the 2021/22 Annual Report is still not tabled despite the audit having been finalised and the AGSA having released the audit outcome for that report.

The overall audit outcome of the RAF improved compared to the prior year as an adverse audit opinion was expressed for the 2022/23 reporting period compared to the disclaimer of opinion received in the previous year. According to the RAF, they engaged meaningfully with the AGSA throughout the audit process and the Audit Report issued for the 2022/23 financial year is modified only as a result of the ongoing disagreement between the RAF and the AGSA regarding the accounting treatment of Claims Liabilities and Expenditure.

When the Board and Management developed the RAF 2020-25 Strategic Plan, the requested but not yet paid had grown to R17 billion and was projected to increase to R51 billion by 31 March 2023. The claims backlog had also increased to over 300 000 claims, the majority of which were already litigated. The 2020-25 Strategic Plan was therefore premised on effecting a turnaround strategy to put the RAF on a sustainable financial and operational path.

The RAF recorded a performance of 91% against its predetermined objectives. This represents the best performance since the implementation of the 2020-25 Strategic Plan. The RAF also maintained a consistent year-on-year improvement on performance since beginning the transformation journey.

The target to settle claims within 120 days, which is a key pillar of the strategy was, according to the entity, achieved for the first time in the year under review. Although the target is a long way from where the RAF wants it to be, it represents the beginning of the reversal of the legacy challenges created by the old target of settling claims within 1 400 days.

The claims backlog remains a challenge, as evidenced by the RAF failure to meet the target to reduce 3-year-old claims. Although the performance has improved compared to the previous financial year, this target will be a key focus in the 2023/24 financial year and the entity is confident that the new RAF contact centre will play a crucial role in this regard.

During its oversight throughout the year, the Committee observed that RAF continues to experience financial challenges, which, in turn, increases the backlog in finalising claims received. The financial health status of the entity remains a risk to the fiscus and an intervention is required. The claims process continues to be regarded as cumbersome and that it still takes far too long to finalise claims and pay awards out to victims or claimants. The RAF and the Department must consider alternative funding models, consider all options that could assist the Fund to decrease its claims liability and ensure that claims are paid within a shorter time.

The Committee noted the indication from the Board Chairperson that the court date is set for January/February 2024 to litigate on the dispute between the RAF and the AGSA on the accounting standards and amended accounting policy applied by the entity since 2020. The views expressed by the Minister, as well as the Board Chairperson that they will still promote the out of court settlement of the dispute were also welcomed by the Committee and the Committee indicated that this matter should be addressed and resolved before the end of the 6th Parliament term.

7.4.6 RSR

The entity did not table its annual report prior to the adoption of this report.

7.4.7 SANRAL

The entity maintained its unqualified audit outcome with findings. The Committee noted its concern over the inability of the entity to meet all of its annual targets. For the year under review, SANRAL was only able to meet 64% of its annual targets. Since the work of the entity directly translates into the lived experience of driving on national roads, the missed annual targets mean that roads were not resurfaced, strengthened, improved or new roads built as planned.

SANRAL still remains one of the largest contributors to irregular expenditure for the transport portfolio; As disclosed in note 43 to the financial statements, irregular expenditure of R6.7 billion was incurred, as proper tender processes were not followed. In 2023, the confirmed irregular expenditure increased from R3 922 million in 2022 to R6 724 million. Included is R272 896 which related to irregular contracts identified and confirmed in the current 2023 financial year. The remaining balance was from irregular contracts identified in prior years. The details of the expenditure written off and condoned are contained in the Annual Report. The new irregular expenditure mainly relates to one contract where a bidder was erroneously disqualified during the tender evaluation process. A loss control function was formed to determine loss, the causes of the non-compliance and make recommendations to the Board, and its determinations are in progress. As at year-end, there were no fraudulent or criminal acts found against employees and no material losses were regarded as recoverable from employees or perpetrators. A register of irregular expenditure, and fruitless and wasteful expenditure with detailed descriptions as required by the 2022/23 irregular expenditure framework issued by the NT is maintained and available.

A detailed analysis of the opening and closing balance of the irregular, and fruitless and wasteful expenditure is included in the Integrated Report on pages 33 and 34. Fruitless and wasteful expenditure confirmed in 2023 amounted to R33.774 million of which R39 000 relates to travel costs by employees who could not travel on scheduled dates due to other urgent work commitments. The remaining R33.735 million relates to the costs incurred due to delays in providing site access to the contractor to commence with road construction. The accumulated fruitless and wasteful expenditure as at year end amounted to R52.168 million of which R18.433 million was written off. At year end the internal loss control committee was still assessing and determining the recoverability of the fruitless and wasteful expenditure for recommendation to Board.

In 2022/23, SANRAL received a grant of R22.895 billion from the NT for capital and operational expenditure on non-toll national roads. The unspent portion of this grant, totalling R3.295 billion (14.4%), was deferred to the following financial year. R9.354 billion was recognised as operational revenue. SANRAL collected R4.475 billion in toll levies during 2022/23, a marginal decrease of R47 million compared to the previous financial period.

In addition to toll levies, SANRAL has also been receiving a special government grant to cover the revenue shortfall from GFIP toll collections. On conventional tolls, all toll fees charged are as per the latest published gazette as the transaction price is recognised as revenue. In addition to the annual government allocation, SANRAL also received a special appropriation of R23.7 billion to repay debt specifically related to its toll portfolio. This allocation ringfenced the GFIP risk in the portfolio and allowed the remainder of the toll portfolio, which is fully self-funding, to continue unencumbered. This debt redemption pay-out was accounted for as an equity injection and was not utilised on other operational costs. In 2022/23, SANRAL also received an allocation of R365 million for flood damage to toll roads in KwaZulu-Natal.

Expenditure on non-toll roads comprises spending on capital projects, maintenance of existing roads, staff remuneration and other operating procedures. In 2023, SANRAL allocated a higher budget for capital projects and maintenance compared to the previous two years, while reducing spending on staff remuneration and other operating expenses. Expenditure on toll roads comprises spending on capital projects, maintenance of existing roads and other operating procedures. In addition to this, SANRAL's tolled roads also incur a number of financial costs. In 2023, SANRAL allocated a higher budget for road maintenance compared to the previous two years, while reducing capital expenditure, finance costs and expenditure on other operations. SANRAL allocates its annual income to various direct and capital expenditure categories. In 2022/23, SANRAL also used an additional R8.9 billion to settle loans received from the Department when they became due. The Agency repaid debt redemptions of R8.870 billion in 2023. All debts were settled on time.

The profit after deducting finance costs amounted to R1 929 million (2022: R348 million). The non-toll operating profit after finance charges for the year ended 31 March 2023 was R27.749 million (2022: loss of R833 million). Income, mainly comprising the grant received from Government, increased by 46 percent, as a result of the improvement in operational expenditure which meant that there was a higher allocation of the grant to revenue. Operational expenditure, excluding the non-cash items such as impairment, depreciation and amortisation on assets increased by 42 percent, mainly as a result of an increase in capital expenditure projects on roads which includes the rehabilitation and strengthening of roads.

Repairs and maintenance increased by R2 653 million (55 percent) to R7 516 million (R4 863 million) from prior year. The total depreciation and amortisation for the year amounted to R2 447 million (2022: R2 386 million).

The toll operating profit after finance charges for the year ended 31 March 2023 was R1 902 million (2022: R1 182 million). Repairs and maintenance increased by R810 million (34 percent) to R3 218 million. Depreciation and amortisation (including concession assets) increased from R1 915 million to R1 958 million, due to increase in completed assets from capital works.

As at 31 March 2023, total assets exceeded total liabilities by R489 485 million, even though the entity had accumulated losses of R12 187 million. This basis presumes that funds will be available to finance future operations and settle liabilities and other commitments that occur in the ordinary course of business. At reporting date of 31 March 2023, SANRAL's total assets were R662 000 million, a significant contributor to facilitating the movement of goods and services in the South African economy. The Board has confirmed that the current assets cover current liabilities. The current assets of R67 697 million include cash and cash equivalents of R59 414 million, of which R38 574 million relates to accumulated unspent grant received on non- toll roads. The current liabilities of R41 789 million include the deferred grant and deferred exchange income liability of R7 263 million which will not require cash for settlement. The unutilised portion of grant income received and deferred at year end was R3 295 million on non-toll portfolio. The second tranche of the special appropriation of R14 756 million is included as a current liability until the conditions have been met and the funds will be available to use for debt redemption.

SANRAL continued to fail to comply with SCM requirements during the year under review.

The Committee noted and welcomed that the CEO post and other Board vacancies were filled since its BRRR engagements with the entity held last year. The low achievement rate of annual targets is a concern for the Committee and there is also a need for SANRAL to improve the quality of evidence used to verify the achievements of targets.

The Committee remains concerned that the issue which continues to place financial pressure on SANRAL is the continued difficulty to collect fees from road users who choose not to pay the GFIP e-toll fees. Although some clarity has been provided regarding the e-toll financing issue, the matter is still not finalised between NT and the Gauteng Department of Roads and Transport. The Committee noted that the AGSA was still concerned regarding the financial health of the entity, citing the collection of debt and the inability to collect monies owed resulted in a high impairment of receivables (i.e. e-toll fees) for SANRAL. This is an indication of challenges in the collection of outstanding debt as they become due, which exposes the entity to liquidity risk. In the absence of the finalisation on the GFIP/e-toll matter from the Ministry and Cabinet, the entity should continue to hold engagements with relevant stakeholders to find either interim or permanent solutions.

The Committee noted the progress by the entity on the Moloto Road project, as well as other major projects along the N7, N2 and N3 routes. The increase in kilometres of roads handed over to SANRAL by provinces in the year under review, as well as the current financial year is noted and welcomed; the Committee believes that this will go a long way towards improving the quality of roads throughout the country, however, the concept of funds follow function should be applied where functions are transferred in terms of the PFMA and the budget requirements to serve these additional kilometres will have to be monitored closely given the liquidity concerns already present at the entity.

The impact on SANRAL and its use of emergency procurement processes to deal with urgent repairs following natural disasters was noted by the Committee. Given the increase in flood damage to road infrastructure experienced since 2021 to date, the Committee implores SANRAL and the Department to ensure all new roads are built to such standards that it can withstand future flooding incidents and allow for proper drainage of roads, that road maintenance is done and storm drainage infrastructure is kept clear and maintained to prevent damage during flooding incidents and ensure this is done regularly both in and outside of rainy seasons.

Until such time as more freight is moved from road to rail, the Committee urges SANRAL to work closely with law enforcement agencies nationwide to improve weigh-bridge operations and law enforcement to prevent the movement of over-loaded trucks.

7.4.8 PRASA

The entity did not table its annual report prior to the adoption of this report.

The Committee noted the report from the AGSA on the progress with the entity and the identified MIs. With regard to the AGSA's expanded mandate on addressing MIs, it was noted that in the 2018/19 financial year, that the nine (9) MIs that had been raised and reported on were in respect of PRASA. Of the nine (9) old MIs identified, all were indicated as resolved. Of the two (2) new MIs identified, the AGSA indicated that the entity was in the process of resolving these and that adequate steps are being taken. The AGSA continues engaging with the accounting authority and executive authority to ensure that appropriate action is being taken.

7.4.9 ATNS

For the period under review, the entity once again achieved an unqualified audit opinion with findings. For the year under review, the entity only met 72% of its annual targets.

Measures taken to ensure financial sustainability, like cost containment, cash preservation, and reprioritising capital and operation expenditure, have paid off. ATNS has been able to move from the recovery phase of its strategy implementation plan to the sustain phase. Its revenue model remains unchanged as it awaits the approval of a new proposed tariff structure from the Regulating Committee for ATNS and ACSA for the new five-year cycle.

The air traffic movements mainly due to the complete removal of lockdown travel restrictions across the globe and within South Africa led to an increase in revenue by 36% to R1.388 billion (2022: R1.017 billion) mainly due to increased billable movements from 207 000 (2022) to 261 000 in the current year. The increase is attributable to the domestic and international markets.

Operational costs remained constant at R1.248 billion (2022: R1.248 billion) mainly due to the fact that the company is committed to contain costs to a minimum and most of the cost containment measures continue.

Capital expenditure decreased to R128 million (2022: R186 million) mainly due deferral of some major capital commitments as the business was still in recovery phase. The company's liquidity ratio increased to 3.07:1 (2022: 2.3:1) mainly due to the drawdowns on the loan facility and improved debt collections. Our gearing is at 12.62% (2022: 3.96%) mainly due to increase long term loans to finance capital expenditure projects. The long-term loan carries both financial and information covenants; the company has reviewed this at year end and there is currently no breach of any of the covenants. Based on management projections, none of the covenants are expected to be breached in the future. The current debt levels are within the company's ability to service them.

As a regulated company, ATNS measures its return of capital employed (ROCE) in line with the approach document issued by the Regulating Committee. The ROCE is 7.8% (Regulated ROCE (-3.4%). The ROCE is a measure of the extent to which a company utilises its resources efficiently to generate profits.

Cash generated from operations (before interest and taxation) improved by 153.5% to R121 million (2022: -R228 million), mainly due to the increase in revenue and improved debt collections. The company's cash reserves improved in the current year to R618 million (2022: R408 million) mainly due to the loan facility drawdown and revenue generation improvement.

The Committee noted and welcomed the new board appointments from January 2023 as well as the progress made to fill vacancies within the senior management levels of the entity, such as the new appointment of the CEO. The Committee also welcomed the steps already taken by the entity to remedy the delays in processing payments to municipalities which led to fruitless and wasteful expenditure being incurred due to penalties charged for late payments. A concern was raised by the Committee regarding the impact which the anticipated lower than applied for approved increase in levy fees would have on the future finances of the entity and its ability to comply with loan covenants.

The ability of the entity to improve on its debt collection was also raised and the strategy in place to address this should be closely monitored.

Maintenance concerns were raised linked to equipment and buildings used by ATNS; the Committee urged the entity to ensure all its systems and equipment were maintained and where needed that it engages with the owners of the buildings it leases to ensure these buildings are maintained.

7.4.10 RTIA

The entity did not table its Annual Report prior to the adoption of this report.

7.4.11 RTMC

The Committee noted that the entity had maintained their audit outcome to that of unqualified audit opinion with no material findings. It further noted that the entity achieved 95% of its annual targets for the year under review.

To address the fragmentation of the traffic law enforcement environment, the National Road Traffic Law Enforcement Code (the Code) was developed. It is envisaged that the implementation of the Code will bring about integration and harmonisation of the traffic law enforcement fraternity. This will facilitate the integration and development of road safety regulations as well as the fair and efficient utilisation of resources. It will also enable the implementation of alternative revenue generation and attainment of self-sufficiency. Engagements need to take place with the Shareholders Committee to accelerate the implementation of this intervention.

The slow implementation of the 24/7 shift system by the provincial authorities continues to be a challenge that does not bode well for efforts to reduce road crashes and fatalities in the country. A closer analysis of road fatality statistics clearly shows that most fatal road crashes take place in the late hours of the night and early hours of the morning when traffic officers are not on the roads. Engagements need to occur with the Shareholders to accelerate the implementation of this intervention.

The RTMC and the entire road traffic fraternity celebrated the graduation and pass-out of the first cohort of traffic officers and road safety practitioners trained on the ground-breaking National Qualifications Framework level 6 qualification. The deployment of these new officers is envisaged to assist in creating a safe road environment in the country.

Road fatalities have continued a downward trend, although at a slower pace. In 2022, the country recorded a total of 12 436 road fatalities which was a reduction of 485 when compared to the year 2021. The outcomes of the Road Safety Indaba hosted by the Minister of Transport and attended by MECs and Chief Executive Officers of different transport SOE between 06 and 07 October 2022 sought to help to accelerate the pace of reduction for the country to achieve the strategic target of reducing fatalities by 25% over the five-year period.

To enhance safety on the roads, a total of 3 195 interventions were conducted by law enforcement officers. These focused on drunken driving, loads management, roadworthiness of vehicles, moving violations, public transport, pedestrian safety and speed enforcement. The interventions were above the planned target by nine. In the year under review the RTMC investigated 444 cases of fraud and corruption relating to the provision of road traffic services and saw the arrests of 96 suspects.

A year-on-year expenditure comparison reflects an increase compared to the previous year; R1.54 billion was spent in the 2022/23 financial year compared to R1.43 billion in the 2021/22 financial year. In total, the RTMC spent 112% of the adjusted allocated budget during the 2022/23 financial year. The tables below depict the financial performance of the programmes during the year under review.

Spending on the compensation of employees increased by R10 million from R713 million to R723 million. The staff complement of the RTMC decreased from 1 883 in 2021/22 to 1855 in 2022/23. The increase in compensation of employees can be attributed to the additional provision made for performance bonuses, leave pay and salary increments in the current year.

The overspend of R169 million in Goods and Services is mainly attributed to the expenditure incurred towards non-cash items such as provision for bad debts, depreciation, and loss on disposal of assets. Other items contributing to the overspend are computer expenses relating to the procurement of software licences and the various computer packages used in the RTMC Capital Expenditure.

The RTMC spent R209 million on the procurement of assets, with the cost drivers being, among others, the procurement of:

- Upgrade of the Boekenhoutkloof College;
- Computer hardware for the introduction of Computerised Learner's Licence Testing at testing stations.

The initial approved budget of the RTMC for 2022/23 amounted to R1.49 billion. During the third quarter of the financial year, a decision was taken to reduce the budgeted revenue from R1.49 billion to R1.32 billion due to a delay in implementing additional revenue streams identified by the RTMC. The downward revenue budget adjustment resulted in an exact value expenditure budget adjustment, coupled with a budget virement whereby expenditure items identified for underspend were reduced to augment those items where an overspend was identified.

The RTMC derived its revenue from, among others, the following sources:

- Grant Income from the National Department of Transport;
- Transaction fees from the renewal of motor vehicle licences;
- Infringement fees from fines issued (AARTO, Section 56);
- Interest received from investments (call account and investment account at the South African Reserve Bank);
- eNaTIS-related revenue, such as access to data;
- Sponsorship income.

Revenue collected by the RTMC was 4% above the adjusted budgeted amount (2021/22 below budget by 7%). The initial budget was R1.5 billion, which was later adjusted to R1.3 billion. The actual collection amounts to R1.4 billion resulting in an over-collection of R50 million. The over-collection can be attributed mainly to the revenue collection for Administration fees for RTI infringements and other revenue items not budgeted for in the ordinary cause of business.

The Committee noted the contributions by the entity in relieving the backlog of driving licence card renewals by opening two driving licence testing centres in Gauteng and it also noted the quality of performance by these centres. The steps taken to address the fruitless and wasteful expenditure as well as the consequence management to deal with this resulting in the employee involved resigning was noted. Additional expenditure incurred to deploy National Traffic Police officers to assist at areas where roads were damaged by floods since 2021 were noted by the Committee; the RTMC will need to consider contingency measures in future for such deployments as the country, and in fact the world, is experiencing an increase in flooding events and other natural disasters.

Concerns were also raised regarding the timeframe applicable to the application process for new trainees to become traffic officers; the steps which the RTMC seek to implement to address this process was noted as well and will be monitored going forward.

The Committee noted the work done by the RTMC to propose alternative revenue streams (linked to the various types of training done and services to SADC countries by the RTMC) to the NT for approval and the indication that there was only a response received regarding one of those proposals. The Committee requested a report on this by the RTMC and the Department in order to formulate further recommendations regarding this issue to the Minister of Finance.

7.4.12 DLCA

The DLCA regressed to an unqualified audit opinion with findings. The Committee raised concern about the performance of the entity seeing as it was only able to meet 46% of its annual targets for the year under review, and as such was the poorest performing entity in the portfolio for the year under review.

The DLCA continues to increase its operational surplus year-on-year, with the current financial year's surplus having doubled from that recorded in the previous year. This can be attributed to the increase in sales of driver's license cards and the strict cost containment approach adopted. During the financial year, the entity surrendered excess funds from prior periods amounting to R175 million to the national revenue fund. Nevertheless, it is still in a sound liquidity position, with current assets almost ten (10) times that of its current liabilities. Most of the working capital of the entity is held in the form of short-term investments, as the entity has plans to invest the funds in major capital investment projects that involve purchasing a new and upgraded card production machine and smart enrolment units.

The public entity practices strict cost control and containment measures to remain self-sustainable in the long term, whilst still providing a decent service to the public. Due to the entity being a manufacturing entity, the biggest area of spending is on the direct and indirect costs of manufacturing driving license cards, including raw materials, machine maintenance, operating expenses and human capital. During 2022/23, there was a 40% increase in costs associated with raw materials, in order to support the 47% increase in revenue from the sale of cards. The entity also saw a 32% increase in operating expenses to support the increase in sales volumes. Employee related costs only increased by 22%, despite the increase in production, which is evidence of the cost containment measures applied by management and those charged with governance. Machine repair costs increased by 32%, and despite the increased running time of the machine (to produce more cards), this does signal a need to replace the unit, due to constant break-downs.

The machine, at the time of reporting, was running at a rate of 38 batches a week (27 without any backlog), which produces approximately 94 000 cards. However, the ideal is for the entity to run 45 batches a week, which is 111 000 cards. This cannot be achieved because of the legislative limitation on overtime, lack of skills and expertise to operate the machine, general under-staffing across the entity, resignation of key personnel and the obsolete nature of the machine, which does not allow over-runs in production due to a lack of spare sparts and proper support contracts.

The Department is evaluating the rationalisation of entities, and the entity's operations will be transferred to the RTMC. This was not finalised in the year under review, as the process is still being reviewed. The finalisation date is not yet confirmed.

The public entity has put plans in place to acquire a new card production machine. The entity also finalised the procurement process of smart enrolment units during the period under review. These are capital-intensive projects with an estimated budget of R819 million to be spent over the next two years, therefore application will be made to the national revenue fund for the entity to retain surplus funds to finance these projects. Application for funding will also be facilitated, as the projects are estimated to exceed the entity's cash reserves.

At year end, the total outstanding debt of 120+ days was only 1.3% of the debtor's book, whilst the total debt book increased from R3,8 million in the prior year to R24,4 million in 2022/23. A significant portion of the debtors' balance is in the current category, which indicates that the overall increase in the debtors' balance is attributable to the increase in sales of cards – up from R182 million in the prior year to R268 million in the current year – rather than from non-collection of revenue.

From 1 April 2022 to 31 March 2023, the DLCA received orders for 2,993,416 driver's licence cards. In delivering the orders received, the DLCA successfully produced 3,407,111 cards and delivered 3,398,504 cards. The difference is due to the 24-hour card production for the period January 2022 - July 2022, when the backlog from the previous financial year had to be caught up.

On irregular expenditure relating to eye test equipment procurement, it was noted that during the year under review, management identified an irregular contract (with a variation agreement) which was entered into with a service provider in the prior year. Upon inquiry with NT, they advised that the contract amount was computed wrongly. The variation was also not in accordance with the NT instruction notes, and as a result, any spending on the contract was identified as irregular. The total spent on this contract up to 31 March 2023 was R40 767 281.

On irregular expenditure relating to delivery of drivers’ licence cards services, it was noted that during the year under review, a supplier issued litigations against the entity for unpaid invoices. Upon investigations, it was discovered that proper SCM processes had not been adhered to during the appointment process. The entity is currently implementing consequence management against the affected officials. An amount of R90 000 was paid to the supplier.

On irregular expenditure relating to NT Contract, it was noted that this irregular expenditure was identified by the AGSA during the 2022/23 Audit. They noted that the NT contract the entity participated in had expired on 30 September 2021, however, the entity continued to spend on the contract after it had expired. The entity will investigate the cause of this irregular expenditure and implement the necessary consequence management, where necessary.

On irregular expenditure relating to a network contract, it was noted that this irregular expenditure was identified by the AGSA during the 2022/23 Audit. The AGSA noted that the contract had expired in 2017, however, the entity continued to spend on the contract. The entity will investigate the cause of this irregular expenditure and implement the necessary consequence management, where necessary.

The DLCA continues to fail in achieving on the indicator relating to the number of days taken to produce driving licence cards. This continues to be linked to the breakdown of the card production machine, as well as the fact that the machine has long exceeded its useful life cycle. Despite indications that a new card machine was in the process of being procured, no real movement on this can be recorded to date and inevitably the roll-out date for new cards will have to be adjusted once more.

The Committee noted in the previous reporting cycle that the Minister of Transport has pronounced the transfer of DLCA to RTMC as part of rationalisation process of the road entities and therefore DLCA was no longer required to go ahead with the proposed updated organisational structure, however, this transfer was still not finalised.

The instability of management in the entity continues to lead to insufficient reviews and played a part in the regression in the quality of the financial statements presented by the DLCA. The Committee further noted that the DLCA was one of the top contributors to irregular expenditure that was not dealt with, amounting to R303 million and also a top contributor to irregular expenditure incurred in the year under review amounting to R41 million.

The Committee remains concerned regarding the age of the current card production machine and the need to request exemptions or deviations from NT related to obtaining the raw material used in the card production process and maintenance of the production machine. The Committee was further concerned about how slow progress has been in finalising the new driving licence card design planned for introduction in 2021/22, while the entity presented that the specifications had only been approved during the 2021/22 year and the new card will likely also not be rolled out within the new target dates in the 2023/24 current financial year. The backlog in renewal applications exacerbated due to load shedding, online booking failures in Gauteng and delays in processing the cards also remain a concern as there are no longer extended deadlines for expired licence applications. The Committee is of the view that the procurement of more than one card production machine may need to be considered as it may assist in providing a shorter turn-around time to deliver cards to driving license card applicants but may also increase revenue collected from these applicants.

7.4.13 SAMSA

The entity did not table its Annual Report prior to the adoption of this report.

8. RECOMMENDATIONS

8.1 Recommendations from the Combined Strategic Plan, Annual Performance Plan and Budget Vote Report 2023

8.1.1 The Committee recommended that the Minister, through the Department, should ensure:

8.1.1.1 The Department must provide the Committee with quarterly reports on the filling of Board vacancies so that Board memberships are filled well in time to have functioning Boards in order to prevent a recurrence of the Annual Report delays, as well as to ensure effective and efficient control over and fiduciary duty fulfilment in all entities of the Department.

8.1.1.2 The Department should give quarterly reports on the filling of vacancies in senior positions within the Department and its entities.

8.1.1.3 The Department should provide quarterly reports on the implementation of the following grants: PRMG, RRAMS, Municipal Infrastructure Grant, Expanded Public Works Programme Integrated Grant for Municipalities and PTNG. These reports must indicate the past 5-year budget allocation for these grants to each province and municipality benefitting from these, what projects have benefitted from these grants in the past 5 years, what projects are projected to benefit from these grants in the next 5 years, status of projects (planning phase/in progress/completion dates), details for each project on ensuring universal access design, as well as functional universal access infrastructure, if grant allocations were suspended give reasons for the suspensions and possible grounds or conditions for re-admission, progress on ring-fencing of provincial allocations of provincial departments that are poor performers. If funds are ring-fenced or suspended, there must be an indication of which projects would be affected by such and what these original budget allocations were.

8.1.1.4 The Department and the DLCA must provide quarterly reports on progress on narrowing the backlog of driving licence card production, as well as progress on the Cabinet process towards the new card format.

8.1.1.5 The Department and PRASA must provide quarterly reports on progress on bringing the full passenger rail service back online, as well as the progress on new train roll-out and depot finalisation to store these trains safely. This report must also contain information on the appointment and roll-out of the security plans to prevent vandalism of, theft of and encroachment onto PRASA infrastructure and rail reserves.

8.1.1.6 The Department must provide a quarterly road maintenance report on the national, provincial and municipal road maintenance work and expenditure. This must also include: the road number and location, the responsible sphere, the assessed condition of the road (good/fair/poor), information on when the last maintenance was of the road and what work was done and the cost/expenditure on this work, future planned maintenance projects with budget allocations.

8.1.1.7 The Department must provide quarterly reports on the various municipal, provincial and national projects, with the specific focus on pothole repairs. This report should also include the available platforms or methods for reporting potholes to the responsible sphere, the quarterly expenditure on pothole specific repairs, any PPP or community partnerships in place for ensuring pothole repairs, as well as the legal or departmental expenditure by each sphere on claims against the sphere for vehicle damage or personal injury claims due to potholes.

8.1.1.8 The Department and SANRAL must provide quarterly reports on the Moloto Road and other Moloto Corridor projects (if any) and progress on the road infrastructure projects, public transport provision along the corridor and expenditure on these for each quarter.

8.1.1.9 The Department should submit quarterly reports to the Committee on progress made on the Road Maintenance Funding strategy, Operation *Vala Zonke* and the *Welisizwe* Rural Bridges Programme.

8.1.1.10 The Department should submit quarterly reports to the Committee on progress made to remove all identified illegally converted panel vans identified per the Public Protector's Report from the road network. It should furthermore submit a report to the Committee, within a month of adoption of this report, on the number of other illegally converted vehicles identifiable on the eNaTIS system and indicate what strategy is in place to remove illegally converted vehicles off the national roads.

8.1.1.11 The Department should submit quarterly reports to the Committee on current figures for passenger trips on the various IPTNs identified in the APP, in order to indicate how close operators are coming to reaching the targets set in the APP.

8.1.1.12 The Department together with ACSA and ATNS must provide quarterly reports to the Committee on work done to improve radio and air traffic and navigation services at airports following recent audits, as well as indicate what budget allocations are made and spent for replacing or repairing some of the aviation equipment.

8.1.1.13 The Department, together with PRASA, must provide quarterly reports on rolling stock fleet renewal programme, the refurbishment of coaches, as well as the upgrading of signalling systems.

8.1.1.14 The Department must provide quarterly reports on the progress to address the 2020 National Taxi Lekgotla Resolutions.

8.2 Recommendations made by the AGSA for the Budgetary Review and Recommendation Report for the 2022/23 financial year

The role of the AGSA is to reflect on the audit work performed to assist the Committee in its oversight role of assessing the performance of the entities taking into consideration the objective of the Committee to produce a BRRR.

The AGSA recommends that the Committee monitor and do regular follow-ups with the executive authority and accounting officer/authority to ensure that:

8.2.1 The Department and its entities strengthen the internal controls to secure the supporting documents and reconcile the reported information to the evidence available.

8.2.2 The Department and its entities ensure that internal audit function is used to review financial, performance, and compliance activities to identify errors ahead of the external audit process.

8.2.3 The Department and its entities enhance the use of feasibility studies to plan and ensure the implementation is informed by the plans.

8.2.4 The Department and its entities strictly utilise the conditions of the infrastructure contracts to firmly manage projects and prevent variations and delays.

8.2.5 The Department enhance the processes to verify the reported information received from third parties by utilising internal auditors to obtain assurance on the reported figures.

8.2.6 The RAF cease deviating from accounting for the Fund activities using the international prescripts, as opposed to the recommendations of ASB and in line with PFMA.

8.2.7 The Committee should receive feedback on the implementation of the action plans developed to address audit findings in the portfolio.

8.2.8 The Committee should monitor the progress of MTSF targets not yet achieved and ensure that there are adequate plans to fast-track the performance of the Department and its entities.

8.2.9 The Committee should perform regular follow-ups with the accounting officer/ authorities and monitor the development and implementation of preventative controls to deal with compliance with laws and regulations.

8.2.10 The Committee should encourage auditees to submit interim financial statements for audit so that any disagreements on the application of accounting principles can be dealt with earlier. (This will reduce the number of auditees not signed due to disputes).

8.3 The Committee recommendations for the 2022/23 financial year Budgetary Review and Recommendation Report

The Committee recommends that the Minister, through the Department, ensure the following:

8.3.1 Recommendations specific to the Department and of General Application to entities

8.3.1.1 Due to the observation that the Department indicated the same measures to address AGSA findings as it had in previous years, the Committee implores the Minister to ensure that stronger measures are put in place to address the audit findings effectively and that they are implemented in a manner that will ensure that the Department improves its audit outcome for the 2023/24 financial year. In relation to this recommendation, it is imperative that the Department strengthen its oversight over the entities and report to the Committee, on a quarterly basis, on progress made to remedy all matters raised by the AGSA;

8.3.1.2 The advertising and filling of Board, CEO, as well as senior management vacancies, as indicated in the paragraphs above, has shown some improvement, however, this must continuously be prioritised in the Department and the affected entities. In order to achieve the SONA 2018 commitment made by Government to changing the way Boards of SOEs are appointed, the positions filled should be with people who have the relevant expertise, experience and integrity to serve in these vital positions. This will allow the Department, as well as the entities to operate and report effectively, and do so within the parameters of applicable legislation. The Department, with its entities, must report to the Committee, by the end of January 2024, and thereafter on a quarterly basis, on current efforts underway to finalise the filling of posts and ensure that they present implementable strategies to address future vacancies. The Department should also provide the Committee with an updated report, by the end of January 2024, on the status of current Board vacancies;

8.3.1.3 The Department must implement sufficient measures to ensure that it achieves all the annual performance targets that it sets itself. The Department should ensure that the targets set in their Strategic Plans and APPs going forward adhere to Specific, Measurable, Achievable, Realistic and Timely (SMART) principles and ensure that sufficient records are available to prove that those targets have been met. Management in the Department should ensure that it is possible to validate the processes and systems that produce the indicator to enable them to produce the required evidence (through improved record-keeping) supporting their reported performance. Conversely, it should adhere to the requirements of the Framework for Managing Programme Performance Information to ensure that all indicators are well defined and verifiable, and that all targets are specific and measurable i.e. the nature and required level of performance is clearly specified and measurable. The Committee also requested that the Department and its entities move towards the development of key performance targets that would have tangible and measurable results that show actual and/or improved service delivery to all transport stakeholders;

8.3.1.4 Effective steps should be implemented in the transport portfolio to prevent irregular, fruitless and wasteful expenditure. Some of these highlighted by the Committee are:

8.3.1.4.1 Officials who caused the Department or its entities to incur irregular, fruitless and wasteful expenditure should be subjected to disciplinary procedures and, where applicable, implement the appropriate measures provided for in terms of sections 81 to 86 of the PFMA (Act No.1 of 1999).

Section 81(1) stipulates that: *"an accounting officer for a department or a constitution institution commits an act of financial misconduct if that accounting officer wilfully or negligently-*

(a) fails to comply with a requirement of section 38, 39, 40, 41 or 42 or

(b) makes or permits an unauthorised expenditure, an irregular expenditure or a fruitless and wasteful expenditure".

In addition, section 81(2) states that: *"an official of a department, a trading entity or a constitutional institution to whom a power or duty is assigned in terms of section 44 commits an act of financial misconduct if that official wilfully or negligently fails to exercise that power or perform that duty".*

For its part, section 86(1) of the PFMA states that: *"an accounting officer is guilty of an offence and liable on conviction to a fine, or to imprisonment for a period not exceeding five years, if that accounting officer wilfully or in a grossly negligent way fails to comply with a provision of section 38, 39 or 40".*

In addition, section 86(2) of the PFMA maintains that: *"an accounting authority is guilty of an offence and liable on conviction to a fine, or to imprisonment for a period not exceeding five years, if that accounting authority wilfully or in a grossly negligent way fails to comply with a provision of section 50, 51 or 55".*

Finally, section 86(3) of the PFMA stipulates that: *"any person, other than a person mentioned in section 66(2) or (3), who purports to borrow money or to issue a guarantee, indemnity or security for or on behalf of a department, public entity or constitutional institution, or who enters into any other contract which purports to bind a department, public entity or constitutional institution to any future financial commitment, is guilty of an offence and liable on conviction to a fine or imprisonment for a period not exceeding five years".*

The Act also includes provisions for criminal prosecution in cases of gross financial misconduct;

8.3.1.4.2 The Department and its entities must at all times ensure that proper record-keeping is implemented for information supporting compliance and procurement processes and implement consequence management for staff members who fail to comply with applicable legislation in this regard;

8.3.1.4.3 Having noted that the Department had a Loss Control Committee/Division to deal with and ensure the rooting out of irregular expenditure, the Department must present quarterly reports on the progress made by this Committee/Division to ensure that the Department and its entities do not incur irregular, fruitless and wasteful and unauthorised expenditure going forward;

8.3.1.4.4 The Department has to rely on 3rd party information in order to report on a number of its own annual targets. In doing so, the AGSA indicated that the Department must implement sufficient measures to quality check this information. The Committee agreed with this assessment and view of the AGSA and the Department must therefore present quarterly reports on the progress made in ensuring 3rd party information is verified, quality checked and put through an internal auditing process as it relates to each individually affected target and doing so prior to accepting this as evidence for the performance of annual targets;

8.3.1.5 The Committee requests the following with regard to compliance with the provisions of the PFMA:

8.3.1.5.1 The Department should capacitate its Finance and SCM directorates/departments/branches with appropriately skilled and competent personnel to prepare credible financial statements;

8.3.1.5.2 The executive authorities, accounting authorities, accounting officers and senior management should ensure that information used to prepare financial statements is accurate and reliable; and

8.3.1.5.3 The Department must ensure that all officials responsible for reporting in terms of the PFMA are reskilled by ensuring they receive training on compliance with the PFMA, ensure that these staff members undergo refresher courses on the applicable NT Regulations that are implemented from time to time, and receive training on compliance with the King Report on Corporate Governance IV;

8.3.1.6 Control processes should be adhered to in the SCM processes. Some of these highlighted by the Committee are:

8.3.1.6.1 The Department should identify and address the inefficiencies in the SCM process in the Department, and assist its entities to do the same, where needed. There should be a review of SCM policies and the implementation of consequences for poor performance and failure to comply with applicable legislation;

8.3.1.6.2 Members of the relevant BEC and the CFO should satisfy themselves that all service providers that are recommended for award have all the required documentation in terms of legislation. The list of recommended bidders should be accompanied by a signed checklist confirming the completeness of required documents. The contract specifications should not differ from the advertised call for bids;

8.3.1.6.3 Management should properly plan the acquisition of goods and services and exercise sufficient oversight and monitoring of controls to ensure that compliance with SCM policies are achieved;

8.3.1.6.4 Recurring non-compliance should be investigated and appropriate action taken against transgressors;

8.3.1.6.5 Furthermore, management should ensure that their own policies and procedures are reviewed and aligned to the Framework for Managing Performance Information and the PFMA, to ensure that performance reporting requirements are properly processed by the Department;

8.3.1.7 The Department should report back to the Committee on a quarterly basis regarding the projects to which grant funds are allocated and transferred to. This said report must cover its monitoring, tracking and engagement with its provincial and municipal counterparts on the implementation of the PRMG, PTNG, PTOG, RRAMS, DORA and other applicable grants to ensure that money is used for its intended purpose, to ensure that there is value for money spent and to prevent a future need for roll-overs;

8.3.1.8 The Department should ensure that the budget allocation for projects is strengthened and realistic in order to reduce the high amounts of funds being transferred under *Virements* (such as targets and budget set for the Revised Taxi Recapitalisation programme);

8.3.1.9 The Department should develop an alternative investment attraction plan in order to make better use of PPPs and the promotion of PSP in the funding options for various infrastructure projects, such as Rail Projects, the Moloto Corridor Project and other major infrastructure projects planned by the Department;

8.3.1.10 The Committee takes a dim view of the non-compliance and the lack of tabling of Annual Reports in terms of the sections 8 and 65 of the PFMA. The outstanding Annual Reports that are yet to be tabled before this Committee are of a serious concern. The Committee is of the opinion that the reasons provided for the late tabling of these reports were insufficient and did not assist in allowing the Committee to adequately assist or propose recommendations to resolve the concerns causing the failure to table on time. The Department must ensure, and assist well in time where it is able to, that all Annual Reports are submitted within the legislated timeframes for the audit by the AGSA, as well as tabling in time before Parliament. The outstanding reports of RSR, SAMSA, PRASA and RTIA, including the 2021/22 RAF annual report, should be presented to the Committee as soon as they are

tabled and referred to the Committee. The Committee would work towards submitting a supplementary report on the late received Annual Reports, should they be tabled in time to do so;
8.3.1.11 The Department must ensure that the PRASA, SAMSA, RSR and RTIA Boards are given the required assistance to ensure that the entities' performances and audit finalisation are drastically improved and deliver quarterly reports on progress related to the above to the Committee;
8.3.1.12 The Department must address the issues once again raised regarding the financial health for ATNS, RAF, PRASA (and its subsidiaries), ACSA, C-BRTA, SACAA and SANRAL in as far as their finances continue to recover after having been affected either by the lasting impacts of COVID-19 lockdown restrictions to their respective industries, operations affected by natural disaster damage requiring urgent procurement and interventions, or insufficient revenue streams to support liquidity; and ensure that a comprehensive plan is submitted to the Committee by the end of January 2024 covering these issues and those highlighted by the AGSA and the Committee at all of these entities. This must be followed up by quarterly reports on the financial health of all of the transport portfolio entities;
8.3.1.13 In light of the cost-containment instructions by NT to Departments and entities to limit the use of consultants, the Department should indicate to the Committee what measures it has put in place to ensure compliance with this instruction and provide the Committee with a detailed report, by the end of January 2024, on all projects in which consultants were used (Departmental projects, projects linked to Grants such as the IPTN projects), as well as whether there were skills transfers that accompanied the use of consultants as is required by the NT instructions. The Department must also provide a report, by the end of January 2024, on any consequence management that has been or is planned to be implemented against officials that may have approved the use of consultants without compliance with the NT instructions;
8.3.1.14 In line with the commitment made in the 2021 SONA pertaining to the construction and the rehabilitation of the N1, N2 and N3 highways as well as the recent impact of floods on these main arterial routes, the Department should provide the Committee with a progress report by the end of January 2024 and quarterly thereafter in this regard, including the timeframes for the completion of the work that ought to have been conducted on the national highways;
8.3.1.15 The Department should provide the Committee with an updated report on the Revised Taxi Recapitalisation Programme by the end of January 2024 and quarterly thereafter, and the report should specify the timeframes within which the programme will be rolled out, deadlines proposed and/or published by when operators must apply for scrapping as well as reporting on progress made and timeframes for the roll-out of the 2020 Taxi Lekgotla resolutions;
8.3.1.16 The 2030 Agenda for Sustainable Development and its 17 Sustainable Development Goals (SDGs) provides a framework for international community towards the achievement of disability-inclusive development. The Department should therefore ensure that all its programmes respond to, inter alia, universal accessible transport; and
8.3.1.17 The Department and its entities should submit their five-year strategic plans and annual performance plans to the AGSA for proactive reviews to ensure compliance with the Revised Framework for Strategic Plans and Annual Performance Plans as well as ensuring that targets are measurable and that the information required to measure these is verifiable.

8.3.2 Entity Specific Recommendations

The Committee recommends that the Minister, through the Department, ensure the following is done with specific reference to the following entities:

8.3.2.1 ACSA

8.3.2.1.1 The entity should ensure its targets meet the SMART principles and ensure that sufficient records are available to prove that those targets have been met. The entity must also implement sufficient measures to ensure that it achieves all the annual performance targets that it sets itself, as well as develop and implement effective action plans in response to the findings of the AGSA;
8.3.2.1.2 The entity must ensure that it improves on its Financial Statements preparation;
8.3.2.1.3 Given the impact that has been felt on the entity's international investment projects due to airline failures, as well as the COVID-19 travel restrictions, the entity must present plans to the Committee on how it will off-set these investment losses and present the report to the Committee by the end of January 2024;
8.3.2.1.4 The entity should provide quarterly updates to the Committee on its plans going forward to limit the loss of revenue, as well as its plans to expand facilitates and runways at airports;

8.3.2.1.5 The entity must work with the Department to address the issues regarding the financial health of the entity in as far as its finances continue to recover after having been affected by the lasting impacts of COVID-19 lockdown restrictions to its industry, operations affected by natural disaster damage requiring urgent procurement and interventions, and ensure that a comprehensive plan is submitted to the Committee by the end of January 2024 covering these issues;

8.3.2.2 ATNS

8.3.2.2.1 The entity should ensure its targets meet the SMART principles and ensure that sufficient records are available to prove that those targets had been met. The entity must also implement sufficient measures to ensure that it achieves all the annual performance targets that it sets itself, as well as develop and implement effective action plans in response to the findings of the AGSA;
8.3.2.2.2 The entity must ensure that it improves its Financial Statements preparation, as well as putting sufficient measures in place to plan for revenue losses still being felt due to COVID-19 travel restrictions;
8.3.2.2.3 The entity must work with the Department to address the issues regarding the financial health of the entity in as far as its finances continue to recover after having been affected by the lasting impacts of COVID-19 lockdown restrictions to its industry, operations affected by natural disaster damage requiring urgent procurement and interventions, ensure that the entity is provided with the required funding for the virtualisation of the air traffic services including the upgrading of navigation equipment, and ensure that a comprehensive plan is submitted to the Committee by the end of January 2024 covering these issues;

8.3.2.3 C-BRTA

8.3.2.3.1 The C-BRTA must, on a quarterly basis, report to the Committee regarding the steps taken in resolving the impasse regarding the cross-border movements on the RSA/Kingdom of Lesotho route;
8.3.2.3.2 The C-BRTA should report to the Committee, by the end of January 2024 and on a quarterly basis thereafter, regarding the continued engagements on the implementation of the 1996 SADC Protocol on Transport, Communications and Meteorology;
8.3.2.3.3 The entity should cooperate with the Department to develop funding plans to ensure the financial sustainability of the entity. Should the funding model and legislative impediments regarding regulation by the C-BRTA not be corrected, the entity will also face liquidity concerns;
8.3.2.3.4 The entity should ensure its targets meet the SMART principles and ensure that sufficient records are available to prove that those targets have been met. The entity must also implement sufficient measures to ensure that it achieves all the annual performance targets that it sets itself, as well as develop and implement effective action plans in response to the findings of the AGSA;
8.3.2.3.5 The entity must work with the Department to address the issues regarding the financial health of the entity in as far as its impacted by delays in the finalisation of agreements linked to cross-border transportation and/or services, and ensure that a comprehensive plan is submitted to the Committee by the end of January 2024 covering these issues;

8.3.2.4 DLCA

8.3.2.4.1 The entity should ensure its targets meet the SMART principles and ensure that sufficient records are available to prove that those targets had been met. The entity must also implement sufficient measures to ensure that it achieves all the annual performance targets that it sets itself, as well as develop and implement effective action plans in response to the findings of the AGSA;
8.3.2.4.2 The entity must submit quarterly reports to the Committee on progress made regarding the application for approval to move to a new card format and the acquisition/procurement of a new card manufacturing machine. Should there be a failure to obtain these approvals, the entity must immediately inform the Committee of steps taken to limit service disruptions to card applicants in the event that the current machine is no longer serviced and if it becomes inoperable;

8.3.2.5 PRASA

8.3.2.5.1 The entity, through the Minister, must provide adequate reasons to the Committee, by 15 December 2023, as to why the annual report of the entity and its subsidiaries were not tabled within the extended deadline. In the next reporting period, the entity must ensure that it adopts its annual report in order for the Minister to table it timeously. The entity, through the Minister, must ensure that the annual report for 2022/23 is tabled urgently;

8.3.2.6 PRSA

8.3.2.6.1 The entity should cooperate with the Department to develop funding plans to ensure the financial sustainability of the entity. Should the funding model and legislative impediments regarding regulation by the PRSA not be corrected, the entity will also face liquidity concerns;
8.3.2.6.2 The entity must report to the Committee on a quarterly basis regarding its progress to address the staffing shortages at the entity, as well as progress in preparation for the entity to serve as a nucleus of the TER once the Bill is signed into law;

8.3.2.7 RAF

8.3.2.7.1 The entity should cooperate with the Department to develop funding plans to ensure the financial sustainability of the entity and should provide the Committee with quarterly updates on strategies to improve the financial health status and reduction of instances where the liabilities exceed total assets of the RAF, as there was uncertainty as to whether the entity would be able to fund their future obligations. Updates should also be provided on the notable concerns regarding liquidity remaining for RAF;
8.3.2.7.2 The RAF should be supported by the Department and stakeholders in discharging its mandate of efficiently and effectively providing compulsory social insurance cover for to all users of South African roads; rehabilitate and compensate people injured owing to the negligent driving of motor vehicles;
8.3.2.7.3 The entity should ensure its targets meet the SMART principles and ensure that sufficient records are available to prove that those targets have been met. The entity must also implement sufficient measures to ensure that it achieves all the annual performance targets that it sets itself, as well as develop and implement effective action plans in response to the findings of the AGSA;
8.3.2.7.4 The entity, through the Minister, must ensure that the Annual Report for the 2021/22 financial year is tabled urgently as it remains outstanding (despite the report for the year under review indicating audited performance target data). In order to do this, the entity must resolve its dispute with the AGSA urgently as this will also ensure that future reports are tabled on time once the agreed to accounting policy and standards are used;
8.3.2.7.5 The entity must work with the Department to address the issues regarding the financial health of the entity in as far as its finances are impacted by protracted litigation affecting the payment of claims from RAF, and ensure that a comprehensive plan is submitted to the Committee by the end of January 2024 covering these issues;

8.3.2.8 RSR

8.3.2.8.1 The entity, through the Minister, must provide adequate reasons to the Committee, by 15 December 2023, as to why the annual report of the entity and its subsidiaries were not tabled within the extended deadline. In the next reporting period, the entity must ensure that it adopts its annual report in order for the Minister to table it timeously. The entity, through the Minister, must ensure that the annual report for 2022/23 is tabled urgently;

8.3.2.9 RTIA

8.3.2.9.1 The entity, through the Minister, must provide adequate reasons to the Committee, by 15 December 2023, as to why the annual report of the entity and its subsidiaries were not tabled within the extended deadline. In the next reporting period, the entity must ensure that it adopts its annual report in order for the Minister to table it timeously. The entity, through the Minister, must ensure that the annual report for 2022/23 is tabled urgently;

8.3.2.10 RTMC

8.3.2.10.1 The entity should ensure its targets meet the SMART principles and ensure that sufficient records are available to prove that those targets have been met. The entity must also implement sufficient measures to ensure that it achieves all the annual performance targets that it sets itself, as well as develop and implement effective action plans in response to the findings of the AGSA;

8.3.2.10.2 The entity must ensure that it improves its Financial Statements preparation;
8.3.2.10.3 The entity must report to the Committee on a quarterly basis on the progress made to obtain approval of all the alternative revenue stream options which it has submitted to NT;

8.3.2.11 SACAA

8.3.2.11.1 The entity must ensure that it works with the Department on improving its funding model to address the revenue generation impact still experienced due to slow recovery from COVID-19 lockdown restrictions on the aviation industry, and ensure that a comprehensive plan is submitted to the Committee by the end of January 2024 covering these issues;
8.3.2.11.2 The entity should, on a quarterly basis, report back to the Committee on the progress to procure a South African owned calibration aircraft to ensure the continued operations at airports across the country;
8.3.2.11.3 The entity should ensure its targets meet the SMART principles and ensure that sufficient records are available to prove that those targets have been met. The entity must also implement sufficient measures to ensure that it achieves all the annual performance targets that it sets itself, as well as develop and implement effective action plans in response to the findings of the AGSA;

8.3.2.12 SAMSA

8.3.2.12.1 The entity, through the Minister, must provide adequate reasons to the Committee, by 15 December 2023, as to why the annual report of the entity and its subsidiaries were not tabled within the extended deadline. In the next reporting period, the entity must ensure that it adopts its annual report in order for the Minister to table it timeously. The entity, through the Minister, must ensure that the annual report for 2022/23 is tabled urgently;

8.3.2.13 SANRAL

8.3.2.13.1 The entity should co-operate with the Department to develop funding plans to ensure the financial sustainability of the entity, operations affected by natural disaster damage requiring urgent procurement and interventions, as well as tenders being stalled and should provide the Committee with quarterly updates on strategies to improve the financial health status and reduction of instances where the liabilities exceed total assets of SANRAL as there was uncertainty as to whether the entity would be able to fund their future obligations, and ensure that a comprehensive plan is submitted to the Committee by the end of January 2024 covering these issues;
8.3.2.13.2 With regard to SANRAL, the Ministry must urgently seek to achieve finality regarding the GFIP funding model;
8.3.2.13.3 The entity should ensure its targets meet the SMART principles and ensure that sufficient records are available to prove that those targets have been met. The entity must also implement sufficient measures to ensure that it achieves all the annual performance targets that it sets itself, as well as develop and implement effective action plans in response to the findings of the AGSA;
8.3.2.13.4 The entity must ensure that it improves on its Financial Statements preparation;
8.3.2.13.5 The entity must submit quarterly reports to the Committee on all roads transferred to the entity from Provincial administrations, progress on all major national road projects as well as progress on work done on flood damaged road repairs;

8.3.3 Committee recommendations applicable to all entities

As the following recommendations have general application to all entities of the Department and for the sake of limiting repetition, the Committee recommends that the Minister, through the Department, should ensure the following:

8.3.3.1 When vacancies in entities arise in critical posts (CEO, CFO, COO, Chief Procurement Officer (CPO)), those appointments should be expedited so that consequence management can be implemented against officials who incur or permit irregular expenditure, as well as fruitless and wasteful expenditure to be incurred;
8.3.3.2 The Committee requests the following with regard to compliance with the provisions of the PFMA:

8.3.3.2.1 The entities should capacitate their Finance and SCM directorates/departments/branches with appropriately skilled and competent personnel to prepare credible financial statements;
8.3.3.2.2 The executive authorities, accounting authorities, accounting officers and senior management should ensure that information used to prepare financial statements are accurate and reliable; and
8.3.3.2.3 The entities must ensure that all officials responsible for reporting in terms of the PFMA are reskilled by ensuring they receive training on compliance with the PFMA, ensure that these staff members undergo refresher courses on the applicable NT Regulations that are implemented from time to time, and receive training on compliance with the King Report on Corporate Governance IV;

8.3.3.3 Control processes should be adhered to in the SCM processes. Some of these highlighted by the Committee are:
8.3.3.3.1 The entities should identify and address the inefficiencies in the SCM process in the entity. There should be consequences for poor performance and failure to comply with applicable legislation;
8.3.3.3.2 Members of the relevant Board/bid evaluation committee and the chairperson should satisfy themselves that all service providers that are recommended for award have all the required documentation in terms of legislation. The list of recommended bidders should be accompanied by a signed checklist confirming the completeness of required documents;
8.3.3.3.3 Management should properly plan the acquisition of goods and services and exercise sufficient oversight and monitoring of controls to ensure that compliance with SCM policy is achieved;
8.3.3.3.4 Recurring non-compliance should be investigated and appropriate action taken against transgressors;
8.3.3.3.5 Furthermore, management should ensure its own policies and procedures are reviewed and aligned to the Framework for Managing Performance Information and the PFMA, to ensure that performance reporting requirements are properly processed by the entity;
8.3.3.3.6 Entities must ensure that quality internal audits are done throughout the year and that a closer working relationship is fostered with the AGSA to iron out interpretation and accounting practices early in the reporting year instead of at the end during the final audit process; and

8.3.3.4 The entities must each submit a comprehensive action plan to address any and all of the AGSA's findings and recommendations to the Committee by the end of January 2024, followed by quarterly progress reports thereon.

8.3.4 Committee recommendations to the Minister of Finance

The Committee recommends that the Minister of Finance, through NT, should ensure the following:
8.3.4.1 Assist the Department and its entities, along with the AGSA, to obtain a definitive interpretation or definition of SCM terminology and issues raised with B-BBEE compliance requirements in order to prevent future disputes during the audit process linked to these terms;
8.3.4.2 Assist the Department and its entities to receive final decisions on all alternative revenue source proposals submitted to NT from the transport portfolio and submit a progress report to the Committee by the end of January 2024 on all current alternative revenue proposal applications from the transport portfolio before NT; and
8.3.4.3 Submit a progress report to the Committee by the end of January 2024 on progress made with the Gauteng Administration, SANRAL and NT to finalise the funding issues linked to the GFIP e-tolling matter.

9. SUMMARY OF REPORTING REQUESTS

The Committee requested additional matters for the Department to report on:

Table 20: 2023 Summary of Reporting Requests

Reporting matter	Action required	Timeframe
The Department should submit an improved Action Plan to address the findings of the AGSA for it and its entities,	Written plan from the Department.	15 January 2024

as well as the implementation of the recommendations made by the Committee in this report.		
The Department should submit a comprehensive briefing on steps it will be taking to assist in stabilising its entities (including filling of vacancies, conclusion and evaluation of shareholder agreements, improving the efficiency of the shareholder representatives on the boards, closely monitoring the implementation of projects and budget expenditure, etc.).	Monthly progress written briefings from the Department.	Monthly starting with first report due on 15 January 2024
The Department should submit a comprehensive briefing on progress made on the filling of Board vacancies in entities, as well as the filling of all critical posts within the Department and its entities.	Monthly progress written briefings from the Department.	Monthly starting with first report due on 15 January 2024
The Department should submit a comprehensive briefing on implementation of the RTRP, to justify the continuation of the programme, to indicate how it will assist with delivering on the outcomes of the Taxi Lekgotla and with specific reference as well to the progress under the programme for purposes of implementation of the recommendations from the Public Protector's Report on illegal Quantum Van conversions.	Written briefing from the Department.	15 January 2024
The Department should submit quarterly reports on investigations underway in the Department and all the entities, with additional emphasis on the finalisation of investigations to resolve the AGSA SCM compliance concerns, lack of consequence management and resolution of past incurred irregular expenditure findings.	Written plan from the Department.	Quarterly reports within 30 days of the adoption of this report by the NA
The Department should submit quarterly reports on pending litigation, as well as settlements reached and judgments for and against the Department and all the entities.	Written plan from the Department.	Quarterly reports within 30 days of the adoption of this report by the NA
The Department should submit quarterly reports on human resource management (retentions, secondments, transfers, retirements, training and skills transfers, resignations and dismissals), as well as report on progress in disciplinary matters (including suspensions) in the Department and all the entities.	Written plan from the Department.	Quarterly reports within 30 days of the adoption of this report by the NA
The Department should submit quarterly reports on the achievement of job creation targets in the Department and all the entities.	Written plan from the Department.	Quarterly reports within 30 days of the adoption of this report by the NA
The Department should submit quarterly reports on the achievement of transformation targets in the Department and all the entities.	Written plan from the Department.	Quarterly reports within 30 days of the adoption of this report by the NA

The Department should submit quarterly reports on the progress towards prevention of irregular, fruitless and wasteful as well as unauthorised expenditure for the Department and all the entities.	Written plan from the Department.	Quarterly reports within 30 days of the adoption of this report by the NA
The Department should submit quarterly reports on the *Shova Kalula, S'hamba Sonke, Valazonke Pothole Repair* and the *Welisizwe Rural Bridges* programmes.	Written plans from the Department.	Quarterly reports within 30 days of the adoption of this report by the NA
The Department should submit quarterly reports on the progress of projects linked with the following grants: PTOG PRMG PTNG RRAMS Coal Haulage Grant Disaster Management Grant	Written plan from the Department.	Quarterly reports within 30 days of the adoption of this report by the NA
The Department should submit quarterly reports on progress regarding the Moloto Corridor Project with emphasis on the Road works' progress and any future discussions on revisiting the feasibility of the Rail Programmes.	Written plan from the Department.	Quarterly reports within 30 days of the adoption of this report by the NA
The Department should submit a comprehensive briefing on the progress made to address and/or implement recommendations emanating from Committee Oversight Reports during the year under review (2022/23 financial year oversight reports).	Written briefing from the Department.	15 January 2024
The Department should submit a progress report on the finalisation of the Public Transport Safety Plan.	Written report from the Department.	15 January 2024
The Department should submit quarterly reports on strategies to address the financial health status of: C-BRTA RAF PRSA SANRAL PRASA SACAA ACSA ATNS	Written plans from the Department of Transport and: C-BRTA RAF PRSA SANRAL PRASA SACAA ACSA ATNS	Quarterly reports within 30 days of the adoption of this report by the NA.
The Department, together with the C-BRTA should submit quarterly progress reports on progress regarding: -The implementation of the 1996 SADC Protocol on Transport, Communications and Meteorology; -The resolution of the impasse regarding the cross-border movements on the RSA/Kingdom of Lesotho route.	Written plan from the Department.	Quarterly reports within 30 days of the adoption of this report by the NA
The Department, together with the DLCA must submit a comprehensive plan on how the concerns regarding the card production machine is being addressed as	Written plan from the Department.	15 January 2024

well as a report on the progress made to finalise and roll-out the proposed new card standards and commence with production of the new cards.		
The Department, together with SANRAL must submit a report on the agreements entered into and deliverables in relation to the transfer of road maintenance and further planned construction in relation to the Moloto Road Corridor with each of the relevant affected provinces and SANRAL.	Written report from the Department.	15 January 2024
The Department, together with SANRAL must submit a comprehensive plan on managing the fiscal constraints placed on the entity due to the e-tolling GFIP concerns raised and the plans going forward regarding the further funding and maintenance of the already built e-toll infrastructure.	Written plan from the Department.	15 January 2024

10. CONCLUSION

The Committee would, through its oversight and engagements with the Department and its entities, ensure that the AGSA's recommendations are implemented by the Department and its entities. The Committee would further insist on receiving regular feedback from the Department on key issues impacting entities as identified through the oversight process performed by the Committee, as well as the Department's own internal oversight directorate over the entities.

11. APPRECIATION

The Committee would like to acknowledge the Minister, the Deputy Minister, the Department officials, as well as Board Members and officials of the entities for presentations made and engagements on their annual reports and annual financial statements.

The Committee applauds the achievements by the C-BRTA, SACAA, RTMC and PRSA in receiving Unqualified Audit opinions with no material findings.

The Committee would also like to extend a note of appreciation to its support staff during the year under review and in the compilation and capturing of the Committee reports.

The Economic Freedom Fighters (EFF) rejected the report.

Report to be considered.

Attached:
Annexure A: List of abbreviations/acronyms
Annexure B: References

ANNEXURE A: LIST OF ABBREVIATIONS/ACRONYMS

Abbreviation/Acronym	Meaning
AARTO	Administrative Adjudication of Road Traffic Offences
ACSA	Airports Company South Africa
AFCAC	African Civil Aviation Commission
AGM	Annual General Meeting
AGSA	Auditor-General of South Africa
AIID	Accidents and Incidents Investigation Division
APP	Annual Performance Plan
ARDP	(Draft) Access Road Development Plan
ASB	Accounting Standards Board
ATNS	Air Traffic Navigation Services
AU	African Union
BAC	Bid Adjudication Committee
BARSA	Board of Airlines Representatives of South Africa
B-BBEE	Broad-Based Black Economic Empowerment
BEC	Bid Evaluation Committee
BTE	Bureau for Transport Economists
BRRR	Budget Review and Recommendations Report
BRT	Bus Rapid Transport
CARCOM	Civil Aviation Regulations Committee
C-BRTA	Cross-Border Road Transport Agency
C-BRTRF	Cross-Border Road Transport Regulators Forum
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIDB	Construction Industry Development Board
CNG	Compressed Natural Gas
CoE	Compensation of Employees
COO	Chief Operational Officer
COTO	Committee of Transport Officials
COVID-19	The Coronavirus Disease 2019
CPO	Chief Procurement Office
DBSA	Development Bank of Southern Africa
DG	Director-General
DGEC	Directors-General of the Economic Cluster
DDG	Deputy Director-General
DGOs	Dangerous Goods Operators
DLCA	Driving Licence Card Account
DLTC	Driving Licence Testing Centres
DORA	Division of Revenue Act
DPE	Department of Public Enterprises
DPME	Department of Planning, Monitoring and Evaluation
DPSA	Department of Public Service and Administration
eNaTIS	Electronic National Traffic Information System
ERT	Economic Regulation of Transport
ESEID	Economic Sectors, Employment and Infrastructure Development
EXCO	Executive Committee
FMPPI	Framework for Managing Programme Performance Information
FOSAD	Forum of South African Directors-General
GFIP	Gauteng Freeway Improvement Project
GHG	Greenhouse Gas
GDP	Gross Domestic Product
GDYC	Gender, Disability, Youth and Children
GTS	Green Transport Strategy
HRD	HumanResource Development
HSR	High-Speed Rail

IA	Issuing Authority
ICAD	International Civil Aviation Day
ICAO	International Civil Aviation Organisation
ICT	Information and Communications Technology
IMO	International Maritime Organisation
IPAP	Industrial Policy Action Plan
IPTNs	Integrated Public Transport Networks
IPTTP	Integrated Public Transport Turnaround Plan
IRERC	Interim Rail Economic Regulatory Capacity
IT	Information Technology
KPI	Key Performance Indicator
LCC	Loss Control Committee
LDV	Light Delivery Vehicle
LGBTQIA+	Lesbian, Gay, Bisexual, Transgender, Queer or Questioning, Intersex, Asexual or Ally and Two-Spirited
LPG	Liquefied Petroleum Gas
MCA	Multi-Criteria Assessment
MECs	Members of the Executive Council
MEOSAR	Medium Earth Orbit Search and Rescue
MI	Material Irregularity
MLPS	Long Distance (Main Line) Passenger Service
MoAs	Memoranda of Agreements
MoU	Memorandum of Understanding
MTEF	Medium-Term Expenditure Framework
MTP	Comprehensive Maritime Transport Policy
MTSF	Medium-Term Strategic Framework (2014-19)
MTT	Ministerial Task Team
M&E	Monitoring and Evaluation
NA	National Assembly
NADP	National Airports Development Plan
NAFCS	National Anti-Fraud and Corruption Strategy
NATMAP 2050	National Transport Master Plan 2050
NCAP	National Civil Aviation Policy
NCCRS	National Climate Change Response Strategy
NCOP	National Council of Provinces
NDP	National Development Plan
NEDLAC	National Economic Development and Labour Council
NGP	New Growth Path
NHTS	National Household Travel Survey
NICRO	South African National Institute for Crime Prevention and the Reintegration of Offenders
NIP	National Infrastructure Plan
NLTA	National Land Transport Act
NRSS	National Road Safety Strategy
NRTA	National Road Traffic Act
NSRI	National Sea Rescue Institute
NT	National Treasury
OHTE	Overhead track equipment
OTV	Old taxi vehicles
PEPFRA	Ports Economic Participation Framework
PFMA	Public Finance Management Act
PICC	Presidential Infrastructure Coordinating Commission
PMDS	Performance Management and Development System
PPP	Public-Private Partnership
PRASA	Passenger Rail Agency of South Africa
PRSA	Ports Regulator of South Africa
PRMG	Provincial Roads Maintenance Grant
PSC	Passenger Safety Charge

PSP	Private Sector Participation
PTNG	Public Transport Network Grant
PTOG	Public Transport Operations Grant
RAs	Registering Authorities
RAF	Road Accident Fund
RFS	Road Freight Strategy
ROCE	Return on Capital Employed
RPAS	Remotely Piloted Aircraft
RRAMS	Rural Road Asset Management System Grant
RSA	Republic of South Africa
RSR	Railway Safety Regulator
RTIA	Road Traffic Infringements Agency
RTMC	Road Traffic Management Corporation
RTRP	Revised Taxi Recapitalisation Programme
SAAF	South African Air Force
SAATM	Single African Air Transport Market
SABC	South African Broadcasting Corporation
SABOA	Southern African Bus Operations Association
SACAA	South Africa Civil Aviation Authority
SADC	Southern African Development Community
SAMSA	South African Maritime Safety Authority
SANRAL	South African National Roads Agency Limited
SAP	System Analysis Program
SAPS	South African Police Services
SARS	South African Revenue Service
SASAR	South African Search and Rescue Organisation
SCM	Supply Chain Management
SEIAs	Socio Economic Impact Assessment System
SIP	Strategic Infrastructure Programme
SIU	Special Investigations Unit
SMART	Specific, Measurable, Achievable, Realistic and Timely
SMME	Small, medium and micro enterprises
SMS	Senior Management Service
SmS	Safety Management System
SMSR	Safety Management System Report
SOCs	State-Owned Companies
SOEs	State-wned Entities/Enterprises
SONA	State of the Nation Address
SOP	Standard Operating Procedures
SSP	*S'hamba Sonke* Programme
STER	Single Transport Economic Regulator
TAT	Transport Appeals Tribunal
TER	Transport Economic Regulator
TETA	Transport Education and Training Authority
TFR	Transnet Freight Rail
TNPA	Transnet National Ports Authority
ToR	Terms of Reference
TRP	Taxi Recapitalisation Programme
TV	Television
TVET	Technical Vocational Educational and Training
UDAP	Universal Design and Access Plans
UN	United Nations
VTC	Vehicle Testing Centres
WHO	World Health Organisation
WITS	University of Witwatersrand
YD	Yamoussoukro Decision

ANNEXURE B: REFERENCES

Department of Transport (2023). *Vote No. 40: Annual Report 2022/2023 Financial Year*, Pretoria Department of Transport.

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